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Cash for cover to tighten brokers' credit

by Rae Mazengarb

IN a move to counter what they believe might be "illegal trading" in the market by some unregistered insurance brokers, some large New Zealand insurance companies have taken steps to tighten up their credit systems.

At the same time, with today's high-interest rates making credit an expensive commodity, questions could be asked about the validity of the traditional 80-day credit facility offered by underwriters to brokers for premium payments.

"We won't take any more risk without cash for cover", one member of the industry said, referring to his own company.

He pointed out that brokers have been able to secure what amounts to free insurance simply by going from one insurance company to the next.

The broker can hold back premiums for some months, gaining interest on that money. If during that time there is a claim on the policy, the premiums are paid over; if there is no claim, some excuse can be given and the policy cancelled.

In effect, the insurance company has carried the risk for the intervening months for nothing.

The broker could then move on to another insurance company and play the game over again ... and again.

It is not clear to what extent credit facilities are being abused.

One senior insurance executive said some policies had been cancelled in what he described as "suspicious circumstances."

"We had not received any premiums; people may have thought they were insured, when they were not", he said.

But it is known that brokers play the money market with premium moneys before handing them on to the insurance companies. There is nothing to stop them.

But some industry members believe insurance companies may be carrying risks they are not paid to carry.

They point out that in some cases this may be the fault of the person requiring the insurance and not the broker, except in so far as he is too casual in his dealings.

The Auckland branch of the Insurance Council is said to be aware that some insurance companies are adopting a hard line on credit arrangements.

If brokers don't pay up on time, at least one insurance company is prepared to contact the clients direct, with the message: "If you think you are insured with us, you are not. Please complete the enclosed proposal form and post it with payment direct to our office".

If the client has already paid a premium to his broker he will be asking for an explanation.

Brokers should pay premiums to the underwriters within 80 days.

The 80-day credit arrangement stems from 1958, when brokers were recognised officially by underwriters. In turn, for agreement over commission, brokers agreed to pay over premium moneys within 80 days.

Corporation of Insurance Brokers' president Murray Hogan said the arrangement was for practical reasons, to allow time for valuation of items, billing and receipt of money from clients.

Hogan said some brokers paid the underwriters before receiving the money from the insured, carrying the credit risks themselves.

But insurance companies might have allowed their credit controls to drift beyond the 80-day period.

Hogan said the credit agreement was enforceable, but it was up to the individual company to take the matter up with the broker.

If the broker still failed to pay, the Insurance Council — responsible for the registration of brokers — could deregister that broker.

"But it would have to be a situation approaching defalcation", Hogan said.

It was common for some brokers to negotiate even longer terms with insurance companies where clients were tardy over premium payments.

Those companies would carry the risk in the meantime.

Hogan admitted brokers were playing the money market, just as insurance companies did — but didn't other groups such as travel agents? he asked.

It has been suggested that in times of high interest rates, the 80-day credit period should be abandoned, or at least markedly reduced.

Insurance companies would reap the benefits of prompt payment through their own investment programmes.

Gains through interest earned on the premium income could be passed on to the consumer through lower premiums.

Hogan said he believed this would be tough on brokers, especially if they found difficulty getting premiums in on time.

Besides, the fact that premiums had been reduced by some 40 per cent in the last 18 months must indicate that insurance companies already were doing extremely well with their investment portfolios, he said.

Questioned about other practices which could be carried out in abuse of the present credit system, Hogan said that without tight controls on the industry there are bound to be "areas of doubt".

This was one major reason the CIB should have legislation.

"We have placed before the Minister our proposals", he said, pointing out the initiative had come from the brokers themselves.

"Such is the present state of the market that a guy can get himself a couple of agencies and call himself a broker", he said.

"It's a shame we need Government interference, but it is a question of protecting the interests of the insuring public".

Inside:

Reader research

THIS week's issue of National Business Review includes a questionnaire which we would like readers to complete and return to our market research company.

From time to time the publishers feel it necessary to up-date readership information. It helps us serve you better.

We need to know what readers feel about the newspaper. And we need to know something about readers themselves — to help provide the services you expect of us.

Please assist by taking a few moments to fill in the details requested and returning the reply-paid form.

In the past readers have been most helpful and co-operative by sending back questionnaires promptly. The excellent response helps us provide a better publication.

We thank you for your help and understanding once again.

Firm scores TV first

PRIVATE enterprise is gaining a stronger foothold in Television New Zealand.

Vid-Com Ltd, a subsidiary of NZ Newspapers Ltd, has been contracted to make a 13-part series of half hour quiz programmes for Television New Zealand.

Vid-Com managing director Eric Price said it was the first time a local firm would be making a series entirely outside the state television system and then selling it in the same manner as foreign programmes.

Other production companies have made programmes for television but these have been made in conjunction with either SPTV or TV One and relied on the BCNZ's facilities, Price said. Vid-Com has its own production facilities.

The series will be called "Crypto — Cross," based on cryptic crossword clues and would be as New Zealand oriented as possible.

The company will hire a researcher to select 100 competitors with a keen cryptic bent. Price said the show would steer clear of the "money or the bag" type of giveaway show. Instead the programme would be of a "more thoughtful nature", he said.

"We want to prove that private enterprise can make viable alternative programmes", he said. He added that Vid-Com had other programme ideas in the pipeline.

The series is due for delivery at the beginning of Television New Zealand new schedule in mid-February.

Will the Liberals in Cabinet stand up?

BRIAN TALBOYS ... most biased film.

HUGH TEMPLETON ... the slasher.

by Colin James

WE USED to have consensus politics, maligned, grumbled at, uninspiring, but rather cosy. Now we have vindictive politics.

I refer to the removal of Corso's Government grant and tax-deductibility status.

This will probably mean that Corso will spend less on overseas aid — unless spite begets spite among anti-National do-gooders.

Any reduction of overseas aid can hardly be a reason for dancing in the streets.

New Zealand's official performance is disgraceful. With that special brand of selfishness that seems to characterise colonists and ex-colonists, we gave through our Government last year only 0.34 per cent of our gross national product in "official development assistance" — $53 million.

This is half the 0.7 per cent target subscribed to by the Organisation for Economic Co-operation and Development (OECD), of which New Zealand is a member.

The Prime Minister has scathingly called the OECD the "rich man's club". It seems as if we want to keep it that way.

Even if aid from all sources is included — the nearly $13 million in net export credits, the $10 million in private investment overseas and the $5.7 million distributed by "voluntary agencies", we are still a long way short of the low United Nations target of 1 per cent.

So one might expect the Government, if only to improve our image in the third world, to encourage rather than discourage aid through voluntary agencies. To cut off concessions to one of those agencies is a serious step, demanding good reasons.

Such a reason might be that money was going to middleman or to further some international political conspiracy.

But the great bulk of Corso's overseas spending ($286,000 last year) goes towards genuine constructive aid projects.

There are exceptions. The most serious accusation by the Government last week was by (liberal?) Ian Shearer that $45,000 had gone in 1977 to the Pan-Africanist Congress — a body deeply involved in South Africa's internal politics which also runs resettlement camps in Tanzania for black refugees from South Africa. The money went towards a PAC publicity and information programme.

But these are exceptions, not the rule. So we must look to the lesser argument that Corso's internal activities, including its high administration costs, are inconsistent with a genuine aid organisation.

Its foray into consciousness-raising — through a film which linked poverty and its causes in New Zealand with poverty and its causes overseas and a contribution to a hardline union pamphlet on unemployment — is deemed "political" by the Government.

Deputy Prime Minister Brian Talboys said the film was the most biased he had ever seen. The Prime Minister labelled Corso left-wing.

One backbencher even said it was run by Marxist-Leninist extremists. Conceivably the Government has some secret information to that effect, but in the absence of any claim that it does, we must dismiss the charge as unfounded.

The Prime Minister quoted a letter from former Corso director Haddon Dixon — who learnt thereby that it is unwise to write letters to his ministers if you do not want to be used in one of their campaigns.

Dixon protested on radio that he had not said anything about left-wing extremists, but only discussed Corso's increasingly political orientation.

But in any case, political stance should be irrelevant to acceptability for tax-deductibility status, provided it meets their criteria.

In the case of an internal New Zealand charitable agency, the importance lies in its ability to satisfy the Commissioner of Inland Revenue, an independent official, that it is not for private profit, its activities are broad-based and its funds are applied "wholly or principally to any charitable, benevolent, philanthropic or cultural purpose within New Zealand".

The rules are different for an organisation whose money goes outside New Zealand. It is the Government which decides whether it gets tax-deductibility status.

But reason would suggest that the same criteria should apply. And there can be no doubt that Corso is not run for private profit and that its funds are at least principally for "charitable, benevolent and philanthropic" purposes overseas.

Even the critical Dixon said on Checkpoint that there were only two projects listed in this year's project book that Corso in his pre-1974 day would not have unhesitatingly supported.

In other words, the rhetoric of Corso's current leadership belies the reality of its actions overseas.

A case can be made even for the film coming into that category in the sense that it furthered Corso's overseas objects as a charity-begins-at-home message, making people better aware of the need for global social justice through better awareness of the need for social justice at home.

But that is beside the point. The Government did not like what the film said. No Government likes being told it is tolerating poverty. It does its image no good.

The fact that evidence is turning up that poverty is growing — note ex-Social Credit president George Bryant's unemotional and informative book "The Widening Gap" — is not likely to salve the Government's wounded pride.

A mature, reasonable, tolerant Government in a mature, reasonable, tolerant society could overlook such pinpricks. It could weigh the film against the value of Corso's overseas work and its other educational work within New Zealand.

And if the balance of Corso's work is as objectionable to the public as the Government says — so objectionable that people, organisations and money have been deserting it — could it not have been left to the public to decide the merits of the case?

At the very least the Government could have maturely discussed its political difference with Corso, and tried to guide it back to an acceptable path, at the same time taking steps to ensure that if the worst came to the worst the overseas aid projects were not jeopardised.

In fact, discussions were held, but they were to find out what Corso was doing. Corso was not specifically instructed of what it needed to do to ensure itself of continuing Government favours.

The Government instead chose to use the slasher. (Liberal?) Hugh Templeton brought down an amendment to the tax laws.

Would he have done so if Corso had made a film showing how well-off New Zealanders are under a National Government and [illegible] slimming them into speedy [illegible] more on Corso projects, or put money into a pamphlet extolling the social justice of the Government's unemployment benefits?

The answer is almost certainly, No. The sin of being "political" was really that of being "wrongly political".

In isolation, the Corso affair could be ignored. Every Government is allowed a few aberrations.

But it has not been in isolation.

You may recall that last year the clerical workers' unions said they found it difficult to put together a roll for the Prime Minister's compulsory ballot on compulsory unionism.

Legislation was passed in September putting a time limit on production of the roll. Before the new time limit expired — if one counted from the passing of the legislation — the Government declared the unions voluntary even though they claimed they were within days of providing the roll.

You may remember that the National Government has been criticised by some for failing to get tough with unions and that an election was two weeks away at the time.

You may also recall that twice in the past two years the Prime Minister has delayed calling Parliament together until well into the year — and then found it necessary to do so in the week of the Labour Party's conference.

And it does not take long a memory to call to mind the Prime Minister's threats to remove the Listener monopoly on radio programme material because he thinks its contents are left-wing.

And more recently the Government brought in sweeping legislation to penalise carriers who did not honour their [illegible] agreement with the [illegible].

The even-handedness of the measure should be weighed against the abandonment [illegible] year of prosecutions of Ocean Beach freezing workers.

There was once an assumption that the role of Westminster-style governments was to act in the interests of the whole nation.

Such an approach would dictate that a Government's first duty is to unite its citizens, to weld minorities into the whole, to acknowledge and respect political differences, even hold firmly to them when principles are at stake, but to seek ways of transcending them so that people of differing views can contribute to the national interest.

Most successful parliamentary candidates these days pledge themselves to represent even those who voted against them.

Instead battle lines are drawn, heavy bunkers are built in the subterranean depths of political bigotry, transigence and prejudice, from which the Government issues forth to assail and pillory those who disagree with it.

And at its head is a man who last week, at the end of another vitriolic attack on Geoffrey Palmer (who must be relishing such attention so early in his career), wrote in Truth,

"I make no secret of, no apology for, the fact that I have a long memory for the character assassins of Citizens for Rowling campaign."

What magnanimity, what nobleness of spirit, what forgiveness, what balance and reason guide us into the [illegible]

US giant wins Cancer Society drug rights

by Warren Berryman

IN a grand climax to Cancer Week, the New Zealand Cancer Society granted worldwide rights to the cancer drug, m-AMSA, and its analogues to a multinational pharmaceutical giant, the Warner Lambert Company.

Worldwide sales of m-AMSA compounds, once they are tested to a marketable stage, could reach more than $100 million and bring this country many millions in foreign exchange.

The drug (pronounced meta amsa) is the fruit of 20 years' research by organic chemist Bruce Cain and his 10-man team working in the Cancer Society's Auckland chemotherapy laboratory.

As an incorporated society, the Cancer Society could not negotiate a licence in its own right. The Development Finance Corporation's Applied Technology division acted on its behalf.

In return for the licence rights, Warner Lambert will pay the Cancer Society a front-end fee in the form of a fellowship for Cain's team amounting to $200,000 over the next four years.

The DFC receives a $50,000 front-end fee in lieu of commission on the fellowship.

In addition Warner Lambert will pay a royalty understood to be about 6 per cent on all USA sales of m-AMSA and a further royalty of about the same value on worldwide sales of m-AMSA's analogues.

Royalty payments on m-AMSA in the American market will continue so long as Warner Lambert has exclusivity in that market. (exclusivity is defined as existing until Warner Lambert has lost 15 per cent of the market to another firm in that country).

Meta-AMSA has undergone stage two clinical trials on humans and potentially might become the most powerful anti-tumour agent known to medical science.

But further testing is necessary to put the drug on the market.

Cain's team has been working on a shoestring budget of $185,000 a year.

Two major pharmaceutical companies came to Auckland seeking rights to the drug, Warner Lambert and Bristol Myers.

Bristol Myers had a turnover last year of $2.45 billion and spent $90 million on research.

Warner Lambert had a turnover of nearly $2.9 billion and spent $85 million on research.

Chief negotiator Owen McShane, the DFC's Applied Technology Programme manager, said this case shows that New Zealand, even with its modest resources, can compete in the research and development field.

"New Zealand only spends a small proportion of its GNP in research", he said. "I suspect the reason behind this is that our decision-makers, not just the politicians, feel we are not competent to perform.

"This case shows that having the right idea still counts. It's not just money alone. Money is not enough. Until we as a nation believe in our ability in the research and development field we will always be short changed.

"The lack of money for research and development here is a double pity as we may be one of the most cost-effective nations in the world."

Cain's team of 10 worked on a budget that would hardly keep a single chemist going in the United States. Total expenditure on m-AMSA's development would not reach $1 million.

Warner Lambert and Bristol Myers each offered a package of royalties and fees for the drug.

Warner Lambert offered a sweeter front-end fee than did Bristol Myers. Warner Lambert also has done considerable work on the development of m-AMSA and has a patented method of manufacturing the compound.

Meta-AMSA is a unique aminoacridine that selectively attacks the DNA chains in tumour cells.

Because Cain published his work on m-AMSA, the drug is not patentable.

In fact the American National Cancer Institute has done considerable work on the drug and this information has become freely available to any American company under that country's freedom of information law.

For Cain it was a matter of publish or perish. Because it was a publicly funded research body, his team had to show progress by publishing its results. (NBR September 5, 1979).

Ironically, making the information freely available to the medical community had the effect of inhibiting development of the drug because no company wanted to risk millions of dollars developing the drug and introducing it to the market only to have another company ride on its coat-tails and take part of the market.

Meta-AMSA apparently is easy to synthesise once a competent chemist has the formula.

The first company to introduce the drug to the market might bear the full expense of development, testing and marketing. But without patent protection, a second company might enter the market able to undercut the prices because its only expense was that of the chemist.

But the United States has a medical use patent, independent of the patent on the compound.

M-AMSA as a compound is not patentable. Anyone can make it and use it to treat mice or paint fences with.

But use of m-AMSA to cure humans of cancer is patentable under a medical use patent.

Cain raced to the United States recently to beat the one-year deadline after publication and filed for a medical use patent for m-AMSA.

This medical use patent should protect Warner Lambert's exclusivity on the drug in the United States market.

The DFC had another more powerful card up its sleeve when dealing with the pharmaceutical giants.

While m-AMSA, due to publication, was unpatentable, the m-AMSA analogues are patentable.

Cain has already developed analogues of m-AMSA which might prove better than m-AMSA itself. These analogues may have application in cancer chemotherapy and other medical uses as well — and they are patentable.

Warner Lambert now has rights to m-AMSA and the analogues that might supersede m-AMSA in the marketplace.

While Warner Lambert might not have worldwide exclusivity to m-AMSA, it should have exclusivity to the range of second generation analogues.

The $200,000 fellowship granted to Cain's team must be used to increase its laboratory resources.

About half the anti-tumour agents in use come from natural sources such as fungi or plants, the rest from synthetic chemicals like m-AMSA.

Meta-AMSA, judging from tests so far, appears to be less tests so far:

- Appears to be less toxic than other broad spectrum agents;
- It does not induce vomiting;
- Meta-AMSA can be taken orally, while its competitors usually have to be injected;
- Meta-AMSA is cheap and easy to manufacture.

THE DFC will receive a percentage of the royalties paid by Warner Lambert.

Negotiator Owen McShane said he hoped to see this money go towards the establishment of a pharmaceutical based research and development company specialising in compounds derived from indigenous resources.

At the very least the money is earmarked for the DFC's Applied Technology Programme to be ploughed into further support for this country's inventors.

EDITORIAL

ACTING Prime Minister Brian Talboys and FOL president Jim Knox called off trips overseas to help restore the industrial calm. Prime Minister Muldoon was already overseas, but not his influence. He is said to have kept up the pressure with a flow of phone calls, insisting that the drivers be kept from securing an 11 per cent rise.

But a fundamental weakness in the Government's wages policy remains: nobody knows what it is, and the guidelines on wage-fixing are frustratingly vague. Parties may settle their differences only to see the Government intervene; thus there can be no confidence among employers or unions that the agreements they reach will not be suborned by the state.

Confidence in wage-fixing procedures was further undermined by Labour Minister Jim Bolger urging drivers to take their case to the Arbitration Court, then indicating that any collusion between drivers and employers in taking a case to the court would oblige the Government to limit the court's wage-fixing capacity. The furore that this created was quietened only because the Government took Labour Department advice that if it interfered, it might wreck the system and destroy the court's credibility. And so Talboys gave an assurance that the Government would not interfere with a case being taken to the Arbitration Court on the drivers settlement.

Whether the Government would act later was a question which Talboys left unanswered. But he did make clear the Government would not go along with any court decisions which it considered contrary to the economic wellbeing of the country.

Bolger had encouraged the drivers to go to the court less than a week earlier; he said then he would regard a court decision as sacrosanct. But later he cautioned (or was it a threat?) that the Government would prevent drivers and employers from using the court in collusion. "All along I have said that we could not allow the court to be used just to get a settlement which had earlier been rejected by the Government," he told a press conference.

In Parliament next day, he insisted he had made it clear to the press when asked if the court could exceed 9.5 per cent that he had said yes.

According to a transcript, the Minister had been asked: "Is that saying the court is not allowed now to settle on a settlement higher than 9.5 per cent? He answered "No, that's not saying that." "Can the court make a settlement of 11 per cent?" — "The court will have to determine its final position after we see what the parties are putting up. I don't think I can go any further quite frankly on what I have said." "I wonder, though, Minister, if you would say whether or not the court could settle at 11 per cent?" — "No, I don't think I will comment."

Questioning the Dominion's attempts to untangle his statements, Bolger said a headline and first paragraph had been "grossly inaccurate"; it was beyond belief how a reporter and sub-editor had gained the impression from his comments that the Arbitration Court would not be allowed to go beyond the Government's 9.5 per cent guideline in settling the drivers pay dispute. And he said the editor and reporter should contemplate their future, and wonder if their accuracy was so suspect that they had lost their credibility and should resign.

If continued incumbency is to be dependent on maintaining credibility, then the course which Jim Bolger should take is as clear as his wage policy is not.

Bob Edlin

AIR New Zealand's recently sanctioned higher domestic air fares will have brought pleasure to employees of the general aviation industry.

For them, the rises must ultimately bring more business both in aircraft sales, in training and in aircraft servicing and maintenance.

A growing number of companies find it profitable to own their own aircraft and the higher fares must tend to influence more businessmen to follow their example.

The latest fare hike has already created a position where it is cheaper for two men to meet all insurance, depreciation, maintenance and operating costs of a light four-seat aircraft on a return Wellington-Auckland flight than to undertake the same journey by scheduled domestic airliner.

On lesser routes the use of a private aircraft will enable businessmen to cover territory (and avoid overnight hotel costs) they could not even look at either by scheduled airline, bus or train services.

A ready example of such a route is a regular circuit which takes a businessman from Wellington to branch offices in Wanganui, New Plymouth, Palmerston North and back to Wellington in a day at a running cost below that, even, of a company car.

And so general aviation men are greeting Air New Zealand's latest fare increases with smiles rather than frowns.

●

IT'S AMUSING to look back on the howl of protest that greeted the new scales of bank charges from October 1, 1967, (3 cents to clear each cheque after the first one in a deposit). It was the first major change in bank charges this century.

The protesters — prominent among them the Public Service Association — quite ignored the fact that the change also involved the removal of the old inland exchange charge ranging from 5 cents to $5. The complaints went on long and loud.

Now, 12 years later, the banks are again altering their charges. Clearance fees for the second and subsequent cheques of a deposit are going up by 66 per cent (from 3 cents to 5 cents a cheque) from October 1. The banks have been widely advertising the change.

Yet, in contrast to what happened in 1967, the projected move has barely raised an eyebrow, let alone a word of protest.

●

LABOUR Minister Jim Bolger's performances over the last couple of weeks has rather taken the spotlight off two of the superstars in the Muldoon circus.

So while the crowds have been thrilled by the acrobatics of industrial relations, they might have missed the action in the other ring: the dancing of Colin McLachlan and David Thomson on the high wire of ministerial responsibility.

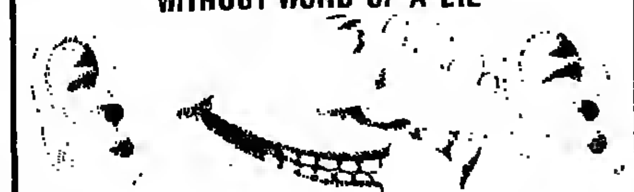
Neither tumbled into the sawdust below, despite their wire being given something of a shaking by two separate reports — one on the state of the electoral rolls; the other into the crash of the Air New Zealand Friendship at Auckland Airport.

Indeed, so deftly do these two handle their acts that each perhaps makes the ideal understudy for the other.

Thus when McLachlan took ill "from the effects of influenza which resulted in fatigue", the Prime Minister announced that: "The Hon D S Thomson will handle Mr McLachlan's portfolios until his return to Parliament." What other possible choice?

Except that Bolger is looming large as a possible challenger to the dizzying duo.

WITHOUT WORD OF A LIE



●

A VALUABLE energy saving tip from Australia. The Hartley Computer group is having a swish new head office building erected in the Brisbane suburb of Toowong. The building will, it says, be "designed with the Queensland climate in mind".

"Specially designed hoods will be built out over the windows. They won't affect the light getting in, but will cut down considerably on the heat and glare. This will help keep the building cool, and will cut down on energy requirements by reducing the load on the air conditioning".

We wonder if anyone suggested putting solar panels in the hoods to catch some of that blistering Queensland sun. Then they could have their shade and a bit of spare energy to help run the air conditioning.

But maybe solar energy is a bit too near the cutting edge of modern technology for a computer company.

●

WHEN it comes to sport, Kiwis display a fiercely competitive spirit.

Possibly as a direct result of this, our success in world arenas far surpasses anything we have a right to expect.

In a very brief space of time our sportsmen and sportswomen have [illegible] achieved world ranking [illegible] variety of international sporting competitions [illegible] speedway, netball, [illegible] yachting, marathon [illegible] probably others.

The strange part is [illegible] a degree of arrogance [illegible] expect to do well, even [illegible] we pit the human resources [illegible] our tiny population against [illegible] world's biggies.

And, if we fail, the [illegible] axe will fall without mercy [illegible] our All Blacks know [illegible]

Now what would happen [illegible] we harnessed this aggressive zeal to performance in [illegible] fields?

What a pity there is no international competition [illegible] industrial relations or a [illegible] cup for industrial management.

Perhaps an Olympics [illegible] productivity or a [illegible] championship for political leadership might get [illegible] national adrenalin flowing.

Never mind, a general [illegible] must constitute a world [illegible] of some kind.

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NEW Zealand television normally does not [illegible] advertiser to sponsor [illegible] programme in the [illegible] as sponsorship is [illegible] overseas. But change [illegible] wind.

SPTV already is [illegible] two-hour show featuring [illegible] well known American [illegible] Dean Martin, in [illegible] with non-alcoholic Claytons [illegible] "The drink to have [illegible] you're not having a drink".

SPTV and Claytons [illegible] say the "best of Dean Martin [illegible] brought to you by Claytons [illegible] That might sound like sponsorship.

They say: "SPTV [illegible] association with non-[illegible] Claytons".

The distinction is [illegible] not easily discerned [illegible] public. And the Claytons [illegible] is seen by admen as [illegible] of a test case on the [illegible] ruling.

SPTV, with this [illegible] sorship" and others like [illegible] Pan Am track series, has opened a path to extended ad revenue untrodden by the stodgier TV One.

Some agencies favour straight-out sponsorship as a means of bringing to New Zealand high-priced programmes such as "Roots" (not shown here because the BCNZ was unwilling to pay the asking price). At least one company was willing to sponsor "Roots". But sponsorship was against the rules.

Not only can a sponsor help pay for a programme, but TV can increase its revenue without deluging the viewer with more total ad time.

The sponsor can pay for press advertising promoting the programme, as Claytons did, which helps Claytons corporate image and boosts SPTV's ratings.

Then there are programme promos shown at television's own expense. Just add the words "this programme is brought to you by" or "brought to you in association with" and the advertiser pays all or part of the bill.

Just for the record, SPTV says it bought the Dean Martin programme and retains editorial control, distinguishing the New Zealand form of sponsorship from the "tyranny of the advertiser" form of sponsorship that is said to exist in the United States.

Still, any increase in ad revenue must enhance SPTV's ability to buy such programmes, and no advertiser would buy or be associated with a programme which negated his selling message.

In this respect, sponsorship by any other name smells the same. Even the BCNZ is expected to make a profit, and it can't increase revenue from licence fees.

TV One, while it might not favour SPTV's methods, has a form of sponsorship when it asks advertisers to pay premium rates for programmes like Holocaust with anticipated high ratings. The advertiser helps pay for the programme with his premium rates.

TV One might stamp its editorially independent boots, but the fact is that it could not command these premium rates if advertisers did not like the programme or think their customers or potential customers might be watching.

All of which, is sponsorship when all the cobwebs are cleared away. And it makes money.

Any changes to the rules effectively will mean legitimising what seems to have been a practise for some time.

NBR for July 18, in reporting on Don Lock's departure from Concept Video (NZ) Ltd, made reference to a marriage separation between Mr Lock and his wife which occurred in 1978.

This separation had been mentioned by Mr Lock as an indication of the strain which the promotion of Concept Video had placed on the personal lives of those involved.

NBR is now aware that this reference may have been taken by readers to imply some criticism of Mrs Lock. No such meaning was intended. Mr and Mrs Lock separated by mutual agreement in circumstances which reflected the company pressures at that time.

In disclaiming any implied criticism of Mrs Lock or any suggestion of disloyalty on her part, NBR also regrets any embarrassment or distress which the publication may have caused Mr and Mrs Lock.

●

FROM October 1, thousands of married national superannuitants found their payments reduced by over $10 a fortnight. These are people whose PAYE had previously been deducted at the secondary tax rate of 18 cents in the dollar.

In conformity with the Prime Minister's Budget announcement, the rate is now nearly doubled at 35 cents. If both husband and wife are being taxed at this new secondary rate, then the amount received in the household will drop by over $38 a fortnight or nearly $1000 a year.

Despite the Budget announcement and despite the fact that all people affected have been circularised by the Inland Revenue Department, this reduction in "cash in hand" will still come as a shock to many who budget on the regular receipt of their net super. For it is extremely doubtful that superannuitants generally will fully comprehend the official departmentalese jargon which masquerades as communication in the official circular.

It is headed "PAYE deductions. Secondary rates", and commences: "In the Budget the Prime Minister announced that the PAYE tax on secondary employment earnings will be increased from 18 cents to 35 cents in the dollar as from October 1, 1979."

A lot of retired people will shut off at that point seeing no relevance in the phrase "secondary employment earnings".

Technically, national superannuation is deemed to be employment, but people who ceased working years ago can hardly be expected to know that.

The notice then says: "Many beneficiaries who have two sources of income, for example wages or pension and national superannuation have further tax to pay when the annual tax is calculated for the full year".

Retired people who have no pension but whose other source of income is from investments may well believe that this statement does not apply to them.

The circular makes it quite clear that no one will pay any more tax overall and suggests what action to take if the new deduction would result in a refund.

It is all scrupulously correct, but it fails to communicate to a number of superannuitants we have questioned on the matter.

Nowhere does it state the exact amount of tax that will be deducted on the new PAYE scale, or the exact amount of money that will be left in the hands of the superannuitant. And that, precisely, is what the recipient wants to know.

●

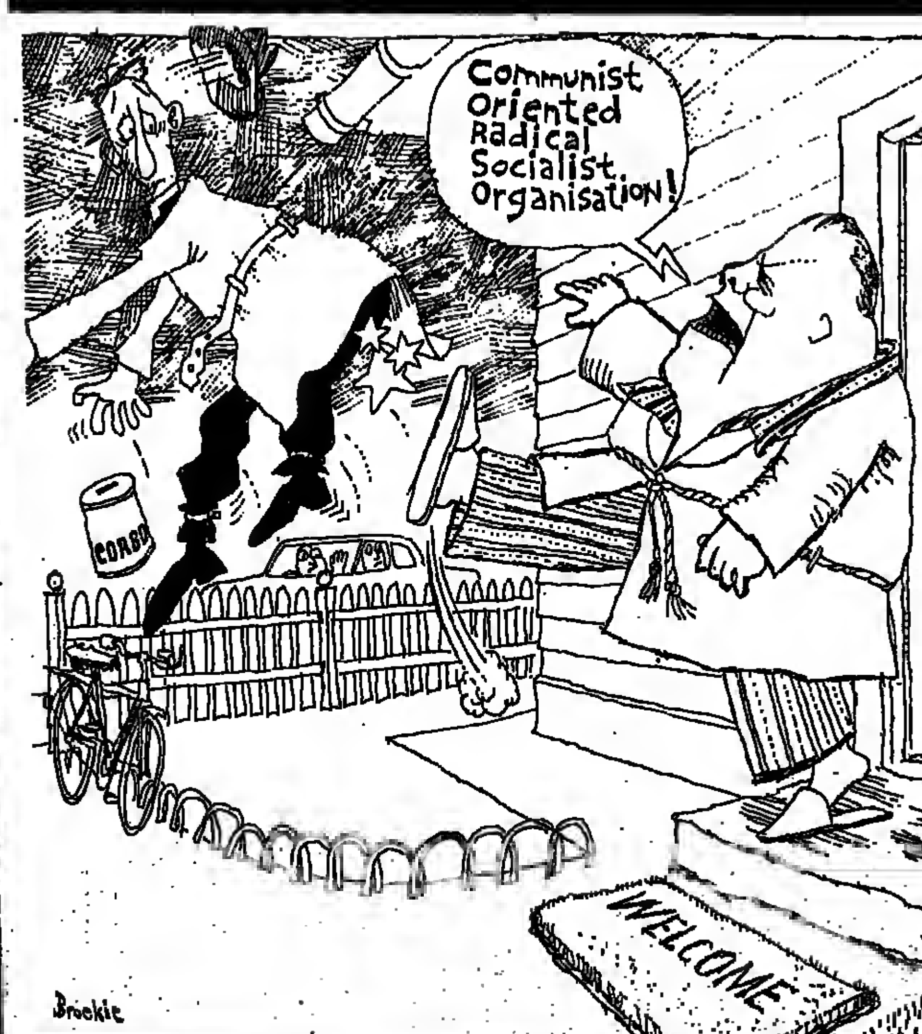
HOW would the public react to regional news programmes at 7.30 each night? Television New Zealand's news supremo Bruce Crossan was asked the other day.

Well, in Auckland, Christchurch and Dunedin, the innovation should go down well, he thought. They are strong parochial bases.

But Wellington? Not so sure; the parochial attitudes there are rather weak.

Which suggests, perhaps, that this makes it an ideal spot for headquartering the news operation.

BROCKIE'S VIEW



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Price rises push lamb into the cold

by John Draper

CHANGING consumer tastes are leaving New Zealand frozen lamb unsold in British coldstores.

Sales have been slow all year since striking British truck drivers caused a build up of wholesale stocks.

But studies are now showing the strike did no more than highlight the underlying trend away from lamb.

Since 1975, lamb prices have been increasing relative to pork and poultry. In the last 18 months they have moved up against beef as well.

The result is predictable. Falling sales.

Instead of roast lamb, the British housewife is buying pork and poultry. The British Meat and Livestock Commission expects the trend to continue throughout the early 1980s.

Consumption per head of lamb and mutton will drop from seven kilos in 1977 to 6.3 kilos by 1985, and the total market from 401,000 tonnes down to 355,000 tonnes.

The beef and veal market will decline only slightly. The commission predicts a jump in pork consumption from 11.5 kilos a head to 13.3 kilos and for poultry from 11.4 kilos to 13.1 kilos.

Allied to that is the trend in livestock markets for new leaner, meatier lambs to command a premium of up to $5 a head over traditional breeds with more fat cover.

Against that background, the European Court's decision declaring that levies imposed by the French Government to prevent the import of British lamb might drive prices up still further leading to greater consumer resistance.

British trade sources are predicting that lamb prices in Britain might go up by $1.10, a kilo slightly higher than the midpoint between the French and British market prices.

And for every cent the domestic price rises, New Zealand lamb at Smithfield increases usually by a half to three quarters of a cent.

The French Agricultural Minister has already stated that his Government will find other means of barring British lamb from the lucrative market.

But British exporters have become adept at getting around the French levies and bans by exporting through Ireland, Belgium, Holland and occasionally Germany.

A more likely result of the Court's decision is to encourage the French to adopt a Common Market sheepmeats policy.

The British Government sees no immediate need for a policy once the French market is open to its farmers, expecting market forces to be the most effective control of supply and demand.

But the French supported by the Irish are campaigning for a dairy-type policy with high support prices. Britain, which is opposed to any increase in the Community budget is against any high profile and expensive scheme.

If there has to be a sheepmeat regime, it favours the safety net approach with support coming in when prices drop below what might be regarded as normal levels.

Britain also maintains that any sheepmeat policy must also be acceptable to New Zealand. The community as a whole is a net importer of lamb and mutton, with Britain being the biggest market.

New Zealand's lamb exports to Britain are protected by the General Agreement on Trades and Tariffs (Gatt) but the French are keen to get fresh and chilled meat separated from the agreement.

The New Zealand Meat Producers Board has already recognised some of the longer terms problems with the product.

This year's schedule will put more emphasis on heavier leaner lambs. At current prices PH grade lambs on the schedule at 69.6 cents a kilo will jump to 79.8 cents while PL grade lambs will drop from 80.8 cents to 82.0 cents.

But the outbreak of scrapie on Mana Island amongst European breeds with heavier, leaner meat-producing qualities has almost certainly put back efforts to change the main flock.

Oil rush threatens to melt Antarctic Treaty

by John Draper

CARVING up Antarctica's untold riches seems certain to freeze 20 years of international co-operation at the bottom of the world.

New Zealand was one of 12 nations which signed the Antarctic Treaty in 1959, launching a programme of scientific exploration and co-operation on what is widely held to be the core of Gondawanaland — the lost continent.

But oil is threatening to start the biggest land grab in modern times in the frozen wastelands.

Both New Zealand and the United States pushing for quick agreement on the exploitation of mineral resources at the Treaty conference in Washington.

But the task is complex.

Seven nations — New Zealand, Australia, Argentina, Britain, Chile, France and Norway — claim sovereignty over much of the continent. The claims of Britain, Chile and Argentina overlap.

Russia has 21 bases scattered around the perimeter and the United States, which refuses to recognise any of the territorial claims, has McMurdo Station.

Sovereignty as such is not on the agenda at the conference ending this week. But it will be central to the debate over who should be entitled to take resources, the rights of claimant states over others, whether private enterprise should have access and how the environment can be safeguarded.

Hopes that a marine resources agreement could be the prototype for minerals are unlikely to be realised.

Technical hitches are still delaying the marine agreement. Official sources are optimistic that the problems can be "talked out in the corridors" around the conference centre and the agreement signed in Canberra next year.

But once signed, some observers are predicting a "krill war".

Krill (a Norwegian word meaning whale food) is an eight centimetre long shrimp-like crustacean, the sea's greatest potential protein source. Many nations are anxious to harvest it.

Twelve, including West Germany, Poland, Norway, Russia and Japan are experimenting with krill for both human consumption and animal feed.

Early results have not been encouraging. There are reports of Polish cattle aborting when fed on a krill meal diet and hens laying pink eggs.

For human consumption, krill would probably have to be processed because of its strong taste and smell, or be used as a protein concentrate.

As the dominant species in the rich soup surrounding Antarctica, krill is basic to the polar life cycle. It is the staple of whales, seals, fish, squid, penguins and other seabirds.

Already scientists are worried that commercial harvesting may cause the breakdown of the Antarctic life.

At least 125,000 tonnes a year are being taken.

Professor John Bebbington, of York University in England, has calculated that the maximum safe annual catch should be no more than five to 10 million tonnes, despite whale hunting producing an apparent surplus of 150 million tonnes of krill a year.

Non-ecological considerations — the hazardous Antarctic waters — may restrict the harvest as well as the competitiveness of krill meal against other animal feeds.

But the mighty Russian trawler fleet numbering 700 ships over 2000 tonnes is being increasingly restricted by the 320 kilometre economic zones and may easily sail for Antarctic waters.

The draft resources agreement is progressive as far as fisheries agreements go, adopting a multi-species approach.

The agreement has the most advanced controls built in. Delaying its acceptance are a number of points on participation and revenue sharing by nations that choose not to fish.

The prospects of huge oil finds as well as other minerals adds weight to the participation argument.

Though it is not yet economic to extract oil, the technology to do so is already well tried in the Canadian Arctic.

And American companies — among them subsidiaries of the oil majors — are preparing exploration proposals.

The Ross Sea, over which New Zealand claims jurisdiction, is the most prospective area.

An interim agreement puts the responsibility on all treaty signatories, now numbering 21, to voluntarily restrain their nationals from commercial exploration while a convention covering exploitation and conservation is worked out.

Delays in doing so increase the risk of unilateral action — hence the need for speed advocated by New Zealand and the United States.

The problems may yet destroy the Antarctic Treaty, which has another decade to run before being renewed.

But the best hope is that the nations concerned will try to hold together because the alternatives are so unattractive.

In the 1950 s there was minor skirmishing between Britain and Argentina as both hold claim to overlapping areas. The treaty demilitarised the continent.

New Zealand has been in the forefront of the resources debate putting up proposals at treaty conferences since 1970.

In 1972 the Government pressed for a moratorium on resource exploration while an overall approach was developed.

In 1975 it proposed turning Antarctica into a world park free from exploration but the idea found no official support though American environmental organisations are now pressing President Carter to adopt the idea.

At the conference New Zealand proposed extending the treaty to encompass all possible resource exploitation which should be carefully regulated to protect the fragile Antarctic environment.

And the Government argued that any new regime should benefit New Zealand as well as the wider international community.

As one of the closest jumping-off points for Antarctica, and one already favoured by the United States, New Zealand stands to gain from any resource exploitation in the frozen wastelands.

Already New Zealand Helicopters Ltd has picked up a $1 million dollar contract from the West Germans for the coming summer season on the ice.

The potential is vast. In the Beaufort Sea the Canadians have found a huge gas and oil field. Investment in its development is estimated to reach $23,000 million by 1990.

A small percentage of similar amounts spent in Antarctica could itself provide a massive cash injection for the economy and the South Island in particular.

NZ scientists drill through ice

SCIENTISTS from Victoria University's Antarctic Research Centre will begin an ambitious drilling programme into the bed of McMurdo Sound on October 18.

Two holes will be sunk through the ice into the seabed 150 metres below up to a depth of 400 metres.

The objective is not to find oil, although the data gathered will almost certainly be of interest to commercial explorers.

The McMurdo Sound Sediment and Tectonic Studies project — as it is called — is to delve further into Antarctica's history.

A similar drilling project three years ago failed after only 65 metres were bored.

The drilling programme, though small by commercial standards which would go 10 times as deep, may go some way to unlocking Antarctica's secrets.

Those secrets are tied in with the now widely accepted theory among geologists of a Gondawaneland to which New Zealand and Australia were attached and Antarctica is the remnant core.

The first ice arrived in Antarctica 25 million years ago analogous to the volcanic period in New Zealand.

But it is the time before the ice sheet arrived that most interests the drilling team.

Centre director Dr Peter Barrett says that 40 to 80 million years ago the Huntley, Ohai and West Coast coalfields and areas of limestone were laid down.

By drilling below the glacial debris under McMurdo Sound the team is hoping to get clues which might indicate similar developments.

Coal has already been found in Antarctica but it dates from 250 million years ago.

But, Barrett says, it is unlikely to be economic to mine for hundreds of years because of the already huge proven coal reserves in the world.

But research by the universities and the DSIR Antarctic Research division highlights the growing conflict between scientists and commercial exploitation.

Antarctic Treaty Conventions provide for the free flow of information derived from research programmes which are already looking at the effects of pollution.

And the United States is taking research to its limits by actively looking for uranium.

Other countries, like West Germany, are stepping up research orientated to finding minerals.

New Zealand has an annual budget of around $1 million a year and lags far behind in the Antarctic race, but it is among the leaders in exploration.

Conference raises cargo rate

by Warren Berryman

THE shipping cartel serving the United Kingdom-Europe trade has increased freight rates for non-producer board cargoes.

They rose by 21 per cent to Britain and 17 per cent to Europe, from Monday this week.

The increases will most affect manufactured exports, which are shipped class 17 general cargo.

The cartel negotiates direct with the producer boards on freight rates. Manufacturers, who have no say, are left to pay the rest of the cost of running the service, plus profit, after the new rates are fixed.

Non-conference ABC Containerline, whose first ship arrived in Auckland last week, will hold rates to 10 per cent below the previous cartel rates until January 1.

That makes ABC's rates for general cargo 31 per cent lower than conference rates to Britain and 27 per cent below to Europe.

But the cartel, in conjunction with the Meat and Wool Boards, is effectively starving ABC out of the New Zealand trade by denying it meat and wool cargoes — which ABC has offered to carry at below-conference rates. (NBR, September 12, 1979).

By eliminating competition, the cartel and the two producer boards can retain a monopoly and hold down freight rates for their cargoes by forcing manufacturing exporters to pay a greater proportion of the running costs of the shipping service.

The cartel's October 1 increases does not apply to Meat, Wool, or Dairy Board cargoes.

The New Zealand Manufacturers' Federation is working together with the Chambers of Commerce to set up a general cargo shippers council to look after general cargo shippers' interests.

Large companies are usually able to negotiate a commodity rate for bulk shipments and can avoid the full brunt of these freight increases.

Smaller manufacturing companies will pay the full increases, thus subsidising the cheaper rates paid by the producer boards and large manufacturing exporters.

Manufacturers' Federation transport executive officer Kevin Hing said the shippers' council concept was only at a formative stage. But the federation was concerned at escalating freight rates, he said.

The cartel announced its freight increases in a circular to shippers from its Overseas Shipping Committee.

The circular did not mention the real impact of the freight increases.

It said: "We wish to advise that as a result of a review in rates of freight the cost increases showed that a 12.81 per cent increase is required from October 1.

"The lines are seriously concerned, however, at the continuing high cost escalations in the various areas of their operations and can see no immediate areas where the costs are likely to level off.

"Trading for both shipowners and shippers continues to be difficult but the lines recognise the need for shippers to maintain their competitive position in relation to other exporting countries which could otherwise react to the shippers detriment and therefore that of the lines.

"In these circumstances and while recording that an increase in rates of freight of 12.81 per cent is required, the lines have agreed, without precedent for the future, that for the reasons mentioned above an increase of 8 per cent be applied effective with vessels commencing their New Zealand loading programme at a port on or after October 1, 1979, based on first announced loading dates."

That suggests the cartel was asking for an 8 per cent increase, rather than the 12.81 per cent needed.

But when increases in currency adjustment factor and bunker adjustment surcharge (MAF and BAF) have been included, the increase is 17 and 21 per cent to Europe and Britain respectively.

The Government-owned Shipping Corporation, a cartel member, confirmed that rates to Britain would go up from $163.10 a tonne or cubic metre to $197.20 (21 per cent) and rates to Europe from $221.60 to $259.50 (17 per cent).

Steering problem: priorities dilemma for RTA

THE top table at the Road Transport Association Conference left delegates floundering in a welter of paper on major issues without giving them any definite lead on which way the industry should head.

Much of the conference was dominated by the ever-changing industrial situation. But the major issue to emerge was the possible changes to transport licensing rather than the old controversy over road-user charges.

Some delegates warned that the industry could not hope to out-manoeuvre the Government on the industrial issues and bash it on the road-user charges question, as well as trying to persuade it to continue licensing protection for the industry.

The problem of priorities posed association leaders with the dilemma of whether to lead delegates along new paths or let them have their own head.

RTA president Bob Martin was sensitive to charges that he muzzled delegates at last year's conference to protect Transport Minister, Colin McLachlan.

As it turned out, while there were fundamentally important issues to be resolved, the conference fell between the two schools of letting the politically unsophisticated body of delegates formulate the policies and the top table giving the conference a clear lead on what was politically realisable.

Debate at the conference also confirmed a widespread feeling that the depth of anger about the road-user charges scheme was finally dissipating to the point where many delegates felt other matters, particularly the transport licensing issue, were more pressing and urgent.

The lack of direction from the leadership was deliberate, aimed at allowing the conference to choose its own path. But the result was a conference which meandered from one topic to another without any clear definition.

Although the conference came down firmly in favour of abolishing the road-user charges and in favour of its substitution with a fuel tax scheme, there was no clear idea of how a fuel tax scheme could be made to work in practice.

The administrative difficulties were politely ignored, and the political reality of devising a scheme which would fulfil the Government's policy objectives was not considered important.

Nor is there much willingness among association staff to go into battle on the fuel tax question, when members' support is perceived principally as a knee-jerk reaction against the road-user charges.

It's almost a matter of any alternative being better than the one members know and hate, which means it is easier for the association's officials to slide the matter under the table — and for the question to be treated with disdain by the Government.

An essential pre-requisite for changing the operation of a scheme which a trade association dislikes is to find the Government another means of achieving its aim which is less burdensome to association members.

But the RTA rank and file does not have the ability — or the willingness — to devise such an alternative and no such arrangement was provided by the leadership.

Again in the transport licensing area, delegates reacted strongly to possible moves by the Government to dismantle the present system.

But despite a number of speeches by president Bob Martin over the past few months suggesting modifications rather than de-licensing, the conference's reaction was a blanket demand to leave things virtually as they are.

The cry that "all goods go by road sometime in their journey" was a common theme, but it is hardly the basis for a comprehensive defence of a protectionist system when the call is out for its abolition.

It may well be true that New Zealand must have a greater degree of rationalisation in its transport sector, particularly in regard to allocation of resources, but there is still plenty of scope to argue about who should do what, under what circumstances and for what rewards.

A blanket refusal to face up to the sophisticated economic arguments mustered by proponents of change threatens to harm the licensed industry in the long term.

An interesting sidelight on the conference was the way in which the government's stand-in for an absent Colin McLachlan was handled.

The RTA had asked free-enterprise advocate Warren Cooper to come to the conference in place of McLachlan.

The move was aimed both at building a better relationship with the coming generation of National Party leaders and searching for a new Minister of Transport.

While Cooper took the opportunity to chastise the association for being negative in its approach to transport matters, he was careful to avoid open antagonism and to build up his links and credibility with the rank and file.

There was some talk of a possible new deal between the RTA and the Government.

The political exchange would be swapping McLachlan for a Minister with whom the industry could live more easily, in return for the industry making less political trouble for the Government.

It would be a useful way of Cooper ascending to a higher Cabinet portfolio by earning the reputation of having quietened down a vociferous — if largely ineffective — pressure group.

There could be kudos and political advantages all round, and Cooper was widely spoken of as a man who had the ability to understand the industry's problems more easily and more sympathetically than the incumbent.

Continental exercises its trans-Tasman wings

by Warren Berryman

CONTINENTAL Airlines plans to extend its operations in the South Pacific region with new routes in the next three years.

Continental vice president for passenger market development Don Beck said the airline would exercise its rights to fly trans-Tasman by the middle of next year.

Continental passengers wishing to visit both Australia and New Zealand now must fly the Tasman with Qantas or Air New Zealand at one of the world's highest fares.

Other plans outlined by Beck include flights linking Japan with Australia.

Continental covers the North Pacific islands of Micronesia through its Air Micronesia.

Beck said a new link, connecting Guam with Sydney via Port Moresby, should be forged by 1981.

Continental also hoped for a United States West coast flight to Auckland via Tahiti and an Auckland-Fiji flight.

Continental's load factors in and out of New Zealand have been poor at 40 per cent. Beck attributed part of this to the new service's rough beginnings — first a strike, then the DC10 grounding.

But he put the major part of the blame on the Government's policy of protecting Air New Zealand.

Beck suggested the New Zealand Government might balance its concern between protecting New Zealand and protecting the state airline.

His sentiments are shared by a significant proportion of this country's inbound tour operators, who feel we are missing out on overseas earnings from tourism because Air New Zealand's fares price this destination out of the market.

These tour operators complain also that at the height of the tourist season they must knock back tourists because there have been no seats available on inbound flights.

Continental has been urging the Government to adopt an origin-fare-setting arrangement similar to Australia's.

Either signatory to the bilateral deal can unilaterally set fares for all traffic originating in its own country under such arrangements.

Country-of-origin fare structures allow for fare differentials. Under such an agreement, Continental says it would lower fares into New Zealand to encourage tourist flows.

Air New Zealand could hold fares out of New Zealand at present levels or increase them. Thus it would be cheaper for an American to fly to this country than for a New Zealander to fly to the United States, encouraging incoming tourist dollars while discouraging New Zealanders from spending abroad.

Continental's load factors in and out of Australia are more than 65 per cent, Beck said. This was because it was $300 cheaper for an American to fly to Australia than to New Zealand he argued.

Lower international air fares produced a 26 per cent increase in travel to Australia and only a 15 per cent increase in Australian travel overseas according to Australian Government figures.

While the rest of the world has been enjoying a tourist boom, inbound tourism in this country has been in the doldrums since 1975.

Continental devoted $3.2 million to advertising the South Pacific destinations in the United States this year.

Beck would neither reveal Continental's profitability on the New Zealand route nor his airline's contingency plans.

He insisted that Continental had devoted years to establishing itself in this market and was here to stay.

The route to the South Pacific would be profitable by January 1, he said. But he was speaking of the South Pacific destination as a whole, and would not break out the profitability on the Auckland-Pago Pago section.

Continental has reached a marketing arrangement with Viva Holidays, a 50-50 joint venture between Australian-based Traveland and Trans-Tours (NZ) Ltd.

Trans-Tours-Traveland will wholesale the outbound Viva escorted tour packages using Continental as its sole carrier.

Continental will contribute half the promotional budget, (understood to be about $0.5 million).

Marketing manager Brian Slater said Continental would not be paying cash overrides or kickbacks to travel agents who sold tour packages. Nor would it discount fares.

Early wage settlements broadly line up

by Colin James

A COMPARISON of settlements in the drivers, metal trades and electrical workers awards suggests that even if the drivers were cut back to a 9.5 per cent movement in their basic rate, their overall wage movement would compare with the others.

Though the 9.5 per cent basic movement was below the 10 to 10.4 per cent movements in other awards, greater gains in main allowances made up the difference.

However, drivers still have a much lower wage packet than their comrades in the two craft unions.

For a 40-hour week the driver of a 10 to 14-tonne truck — the benchmark driver — would get $147.02 a week under a 9.5 per cent settlement. With the full 11 per cent he would get $148.88.

These are the figures for a driver who has two years service with the same employer.

By comparison, the certificated fitter, the benchmark worker in the metal trades award, will get $177.64 under his recently renegotiated award.

The comparable electrical worker, the registered electrician, will get $183.36 under the electrical supply authorities award and $178.04 under the electrical contractors award.

In each case, the figure is for a worker with two years service.

The figures include the 4.5 per cent general wage increase and the main allowances — the industry allowance in the drivers' case, the registration payment in the electricians' case and the indenture and certificate payments in the case of the fitters.

They do not include other special allowances, such as travelling times.

The key advance the drivers made was in increasing their industry allowance from $7.36 to $9.57 a week, an increase of 30 per cent. Including the 4.5 per cent general wage increase, this allowance was worth $10.00 under the agreement reached in conciliation.

In the other awards the registration, indenture and certificate payments increased by either exactly the same as or slightly more than the wage rate.

All awards made gains in service allowances paid to workers who stay with the same firm.

The drivers pushed up their existing allowances for one year and two years service by 10.2 per cent, (15.7 per cent if the 4.5 per cent general wage increase is included).

And they added two new grades, for five years service (the rate would effectively go up to 65 per cent, from $3.32 to $5.49), and for seven years (the rates would go up 120 per cent, from $3.32 to $7.32). Including the 4.5 per cent wage increase, the amounts would be $5.76 and $7.68.

New service grades at two years and four years were added in the metal trades and electrical contractors and a new grade at five years in the metal trades.

The effective increase in service allowance for a worker with two years service was 60 per cent, from $4 a week to $6.40, for one with three years 38 per cent from $5.20 to $7.20, for one with four years 69 per cent, from $5.20 to $8.80 and for one with five years 85 per cent, from $5.20 to $9.60, in the metal trades and 20 per cent, from $8.00 to $9.60 in the electrical contractors award. These figures include the 4.5 per cent.

The electrical supply authorities award introduced a new two-year service allowance worth $2.40 a week. For the registered electrician this amounted to another 1.5 per cent increase in his wage rate.

The accompanying table gives the percentage amount in the basic 40-hour week for workers with varying amounts of service. The categories are the 10 to 14-tonne truck driver, the registered electrician and the certificated fitter.

By far the bulk of workers have at least two years service and the bottom three lines are probably the best comparison. Some 65 per cent of drivers have two years service and between 80 and 90 per cent of electricians working for electrical supply authorities. Percentages for the others are not known.

It can be seen that if the drivers got 11 per cent, the movement would be greater than in the other awards.

But some important qualifications have to be made.

The first is that all awards include a wide range of rates, both below and above the benchmark workers chosen for comparison.

Fixed-rate hourly allowances have a different effect on the percentage movement of cash earnings by different workers. Those on higher rates will show a smaller percentage movement when service, indenture and certificate rates are included than those on lower rates.

Thus the driver of a 40-tonne rig with seven years service would get an increase of 13.2 per cent in his 40-hour rate, when the industry allowance and service allowance are included (on a 9.5 per cent basic movement). The driver of a truck smaller than 2 tonnes with seven years service would get a 13.7 per cent increase.

The second qualification is that each award has different additional allowances, covering a wide range of activities, which workers get in certain circumstances.

Broadly speaking, these allowances moved similarly in all awards, though some in the electrical supply authorities award moved by considerably more. If anything, movement in these monetary conditions might favour slightly the electrical and metal trades awards.

The third main qualification is in the new conditions negotiated in this round. One is the bad weather allowance which gives time and a half payments for linemen who have to work in rain, snow or wind to repair lines.

During the winter this could have an important effect on the earnings of such workers.

Taking the electrical supply authorities again, a "retiring gratuity" has been written into the award equal to half a year's pay for someone with 40 years service with an employer.

This, in effect, is a sort of delayed wage for those willing to stick it out.

Comparative wage movements [excluding the 4.5 per cent general wage increase]

	Drivers as "regulated" by Government	Electrical supply authorities	Electrical contractors	Metal trades
Basic wage	9.5	10.0	10.4	10.5
Minimum 40-hour weekly wage including main allowances	10.7	10.0	10.4	10.5
As above, with two years service	10.7	11.5	11.2	11.6
Five years service	12.1	11.5	10.6	12.6
Seven years service	13.5	11.5	10.6	12.6

For an explanation of this table and the categories of workers taken for comparison, see story. Movements are calculated on the assumption that there is a 4.5% element in the industry, certification and service allowances.

Government opts for sanity on wage front

by Colin James

THE Government came within an ace of destroying the Arbitration Court last week, before pulling back in a crucial mid-week emergency Cabinet meeting.

At the beginning of the week there was near chaos around the drivers' award. By the end of it the Brian Talboys-led ministry had restored a saner atmosphere.

The drivers and their employers were set to go to the Arbitration Court on Monday of this week. The Government had agreed not to interfere though there still remained the possibility of action to stop any excessive rate being passed on into other awards.

The Federation of Labour had also at last started talks on the wider issues of wage-fixing.

In the meantime one ministerial reputation had been badly damaged, another enhanced and a bunch of roses handed to the Labour Party in its newfound, if brittle, mateyness with a somewhat shaky FOL.

The critical day was Wednesday, when the Cabinet decided not to interfere even though by then few doubted that an arbitrated settlement would be above the Government's 9.5 per cent limit imposed earlier on the conciliated settlement.

The Cabinet meeting that day essentially was a battle between the Labour Department's plea not to put the Arbitration Court at risk and Prime Minister Robert Muldoon's insistent demands from the other side of the world that the drivers were not to get their 11 per cent.

Labour Minister Jim Bolger is said at one point to have laid his job on the line for his department's view.

The Cabinet meeting ended several days of chaos.

The previous Friday a shaken FOL president Jim Knox and entourage, fresh from the one-day national strike the day before, saw acting Prime Minister Talboys, acting Finance Minister Hugh Templeton and Bolger.

Agreement was reached on two points: That the drivers' award should be allowed to go to arbitration by the court; and that talks should begin on improving the wage-fixing system.

Assurances were given that the court decision would not be interfered with. Talboys put off a trip overseas because he thought he had something to offer at home.

The union movement had meanwhile telegraphed a message to the drivers that they could not expect unlimited support. Two key awards, the metal trades award and the electrical contractors award, had been signed, with a basic rate movement of 10.4 per cent.

The waning support was confirmed the following Tuesday at a special FOL national council meeting which decided to halt all planned follow-up action to the strike.

The drivers bought the Arbitration Court solution, one which they had been toying with anyway.

Early last week things began to go badly awry.

Bolger mistakenly claimed that the drivers and the employers had not agreed on an 11 per cent basic increase in conciliation but had finished 4 per cent apart — the employers at 9.5 per cent and the drivers at 13 per cent.

When he was put right on that, he began to back off his earlier assurance of no interference. He now had the impression that the union and employers were getting ready to use the court as a jackup to legitimise what they had agreed on and he said the Government could not accept that.

"We could not allow the court to be used just to get a settlement which had earlier been rejected by the Government," he said, raising fears in union circles that the Government would limit even an Arbitration Court award to 9.5 per cent.

One employer said gloomily: "If he does that it will be the end of the Arbitration Court, himself and the Government."

Somehow that message got through by the Cabinet meeting. But by then Bolger's handling of the affair had at least shaken his much-vaunted (in some party circles) potential as a leader.

People on both sides of the industrial fence were questioning whether he could even continue as Minister of Labour.

His future on both counts, it seems, may depend on to what extent he is seen to have eventually come down on the right side — that of the labour portfolio.

Even before last week's turmoil industrial law was in a chaotic state, as layer had been piled on layer in an attempt to plug economic holes.

The main guiding principle seemed to be that the Government would do what it liked when it liked and that each time the rules did not suit its purposes, the rules would be changed.

Sweeping powers had been taken under the Remuneration Act and were proposed in the Commerce Amendment Bill. It became clear that last week there were sufficient powers in the Remuneration Act to overturn a wages decision of the Arbitration Court if the Government felt like it.

The realisation that the Government could and in some circumstances would interfere with such decisions shocked moderate unions and employers who share the Government's professed desire to re-establish the Arbitration Court as the pre-eminent forum for arbitrating on wage demands.

Had the Government once interfered with a court decision, even moderate unions would have shunned the court. The fragile confidence in the court which has been slowly building up would have been wrecked and rougher rules would have applied in the wages marketplace.

At a time when Talboys had got the FOL talking on improving wage-fixing, the possible gains in stability loomed larger than the issue of 1.5 per cent for the drivers.

No one I talked to last week doubted that the drivers will now get their 11 per cent. Their best guess was that it could come in a combination of an award of around 10.5 per cent and a backdated or short-term award, or would be obtained under the counter from individual employers.

The eventual outcome was expected to be in such a form as to save face for all parties. And in the meantime, by pushing ahead with wage-fixing talks this week, the FOL has enhanced Talboys' standing as the peace-maker.

Speculation began sweeping Wellington last week that Talboys was no longer adamantly opposed to taking over the leadership if the party called.

But the real winner, if there was one, was the Labour Party. Leader Bill Rowling's decision to support the strike and then to attend the FOL national council meeting won him plaudits from two quarters.

Moderate unionists long used to equivocation from Labour Party leaders welcomed a concrete expression of support — however brittle it might turn out to be if the heat goes on and however much it may have been a Hobson's choice.

And the risk of attending the FOL meeting paid off when he was associated, not with hotheads trying to wreck the economy, but a decision to cool it.

Whether it will be turned into votes remains to be seen. Last Tuesday most union leaders seemed obsessed with the value of Muldoon as a one-man unifying force for the movement.

A TEST case for indexation of wage rates is planned by the engineers union, which recently won approval in principle for indexed awards from the Arbitration Court.

Union secretary Jim Boomer says the union has claimed indexed wage rates in two minor awards due for negotiation in November.

There is no doubt, Boomer says, that the wage rates in those awards will be referred to the court for decision.

NBR BUSINESS WEEK

Jumbo deals exclude the small investor

by Peter V O'Brien

THE small investor might think he is being cut out of major transactions in public companies. In the last two weeks substantial organisations have announced deals, usually involving themselves and one or two similar companies, which raise questions about the way in which industry and commerce is handled in this country.

Some of the deals are doubtless in the "national interest", particularly the reorganisation of the Tasman Pulp and Paper Co where Challenge Corporation is taking up a sizeable position, and the Fletcher group is lifting its stake.

Others are in a different category. The small investor in Haywrights, for example, has seen the majority shareholdings in the retailer pass quietly to a combination of the New Zealand Farmers Co-op Assn and the Christchurch company, H W Smith Ltd, now under the guidance of former Brierley Investments man, Bruce Judge.

The South Island combination will hold 63 per cent of Haywrights if approval is obtained for the acquisition of Challenge and Fletcher's shares.

The failure to disclose the price is a questionable aspect of this deal. This is becoming a common practice, and one which should be dealt with in the interests of all investors.

We now have a situation where the holders of 37 per cent of Haywrights' shares have no idea what "value" was placed on the organisation by the majority shareholders.

There is no legal compulsion on anyone to disclose the price paid for the shares, but companies the size of Challenge, Fletcher, and NZFCAC could be expected to have a responsibility to the other shareholders.

Fletcher was to the fore on several fronts in the last two weeks. The disposal of CSR's holding in the group, a proposed one for ten bonus issue, a larger position in Tasman, and the request to the Examiner of Commercial Practices to increase the holding in Wilkins and Davies, the Auckland based construction group.

The last proposal also raises a question. This is the second time Fletcher has taken a course of gradual takeover. The first was in Firth Industries when the larger company bought shares and then applied to increase its holding. Fletcher acquired shares in Wilkins and Davies to a level just below the statutory maximum before one has to obtain approval. Now the company asks for a rise in the percentage.

It may be said that the existence of the Examiner of Commercial Practices and, after him, the Commerce Commission safeguards all interests.

That is a valid view if one is looking only at the question of corporate aggregation, monopolies, and the "public interest", defined in section 80 of the Commerce Act.

The Examiner of Commercial Practices has no concern under his act with matters relating to transactions in securities. That is within the business of the Securities Commission, operating under its act and-or aspects of the Companies Act.

How will Fletcher acquire the shares if approval is given? Will it be on the open market, where all shareholders can offer their holdings? Will it be by phone calls to whatever remaining substantial shareholders are still on the Wilkins and Davies list? Will it be on offer to all existing shareholders for a pro rata sale of their holdings? Or will the small fellow be among the missing again?

The marketability of small holdings becomes difficult in any situation where one company holds just under half the share capital (or almost two-thirds, as in Haywrights).

And that raises another question. Under the rule of the Stock Exchange Association brokers are permitted to approach a selected list of named bodies (insurance companies, banks, building societies and so on) regarding business, provided they "preserve the dignity of the Association and themselves", whatever that means. (Note that other sizeable groups are not on the list, but they are often approached.)

So we have the common practice of brokers ringing up half a dozen substantial institutional shareholders, offering to buy their shares, and suddenly someone owns 15 to 20 per cent of a listed public company. In the meantime the fellow with 500 or 1000 shares can be sitting on the sidelines trying to sell his parcel.

This practice needs examination, because again the small investor (he who is encouraged to believe in the honourable status of small capitalist through owning equity shares) is getting a rough deal.

Finally, the events of the last two weeks leave little credit to Her Majesty's Government. In the Tasman reorganisation there was a requirement to offer shares to the existing shareholders, but the might of the State can be very persuasive in several areas of life, and it was not beyond the State's wit to devise a more equitable distribution of shares to the public.

It can be said that the public can enter either through Fletcher or Tasman, and that those companies are putting money where mouth is.

The former is irrelevant; it is comparable to taking out an insurance policy to share in the proceeds (dividends) of the meat industry.

The latter has greater validity, but the big organisations have considerably more knowledge of the industry than small investors for obvious reasons. While there is always a risk, it has been well analysed. It is a risk many small investors would like to take if they had the opportunity.

Analysing annual accounts

by Peter V O'Brien

ATLAS Majestic Industries may be getting over the problems which caused wide fluctuations in profitability in recent years.

The 1979 annual report records a continuation of the reorganisation and rationalisation of activities which started in the previous year.

The company lost $823,000 in 1978, and had to analyse its corporate structure.

Net profit in the latest year, before extraordinary items, was $364,000, hardly a satisfactory result when related to turnover of 25.1 million, shareholders funds of $9.3 million, and total assets recorded at $24.1 million. But it is a substantial improvement over 1978's loss.

The policy of streamlining the business included sale of the company's rental subsidiary, Amalgamated Telehire Ltd, to Transvision Holdings, and liquidation of investments in associated companies.

The latter included a holding in Transvision, which may be regretted, given the rapid rise in that organisation's share price.

But a search for liquidity forces companies to look at the return on funds tied up in investments which, while valuable in the longer term, may be insufficient to support the basic business.

The Atlas report is well presented, with a reasonable level of information on developments in the year under review, particularly explanations of changes to the balance sheet.

The 1979 consolidated balance sheet shows the results of financial reorganisation during the year. Sale of investments allowed Atlas to reduce term liabilities by a net $1.3 million, or 28 per cent of 1978's $4.4 million.

The report says that registered debenture stock of $1,883,000 was repaid. The addition of other term liabilities, including those related to Master Industries Ltd which was acquired last year, produced the net change.

Short-term liquidity also benefited from restructuring. Current liabilities exceeded current assets in 1978, but a healthier relationship now exists, with $14.35 million worth of current assets offsetting $11.91 million in current liabilities.

The inclusion of Master Industries' stock and debtors affected those figures, but the overall change is an improvement.

The company says an increase of $1.3 million in stock (from $7.32 million to $8.66 million) and rises in other current assets relate in part to "a higher level of trading in other divisions".

Stock is now 36 per cent of total group assets, compared with 29.1 per cent in 1978, the major increase being raw materials and work in progress (up $2,429,000). There was a decline in the value of finished goods (down $902,000).

The breakdown of stock suggests that Atlas is working on expected higher sales in the current year. The report confirms that view.

"The company has adjusted its volume of production to current conditions and the recent Budget, with special emphasis on exports, should enable the present sales volume to continue into the immediate future.

"It is difficult however to say what 1980 will bring, so manufacturing commitments beyond December 1978 are being viewed with caution".

That is fair comment, but any downturn in business will add to the costs of holding present stock levels.

The company's treatment of changes to capital reserves needs more explanation.

A note to the accounts, under "asset revaluation" reserve, says $1,584,000 was added to the reserve from "surplus less deficits on revaluation of investments in subsidiaries and associated companies".

That figure has to be taken on trust, because there is no statement of the basis of revaluation, nor a breakdown of the "surpluses" and the "deficits".

The parent company's balance sheet puts revalued investment in subsidiaries at $8,240,000, compared with $6,223,000 in the previous year.

In the consolidated balance sheet that revaluation would show up in the fixed and other assets brought into consolidation, but the overall changes to company structure make it impossible to work out the actual movement in the value of each subsidiary or associate investment.

Atlas has written down such investments in the past, so it would be useful to know how each revaluation was calculated. The annual meeting on September 27 may have received more information.

Assuming that the revaluations are realistic, Atlas shares had a net asset backing of $1.89 for each 50 cents unit at balance date, compared with a share price of 59 cents last week.

That is an interesting margin, because Atlas has a wide spread of shareholdings.

If recovery can continue the company may offer a good opportunity for investment. The 10.5 per cent dividend paid this year is from tax free reserves (now yielding 9.37 per cent), the group had tax credits of $2.2 million at March, 1978 to offset against future profits, and capital reserves available for distribution were $2,828,000 at balance date.

A growing export market could also assist tax free figures. The company exported goods worth $1.4 million last year, compared with $350,000 in 1979.

Group products come within high "bands" under the new system of export incentives, so potential benefits appear good, provided overseas action has no effect on the development of export markets.

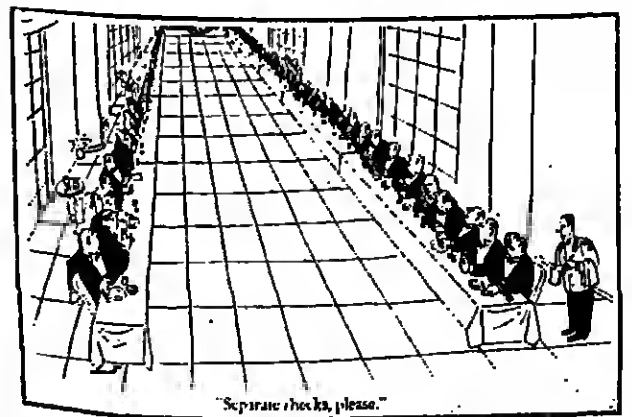
Exchange Rates

EXCHANGE RATES as at 27 September 1979.

Australia	.8848	Hong Kong	4.8355
Britain	.4548	India	7.967t
Canada	1.1668	Italy	803.45
Fiji	.8234	Malaysia	2.1t98
Japan	220.90	Netherlands	1.8371
West Germany	1.7513	New Caledonia and Tahiti	74.08
USA	.9981	Norway	4.8914
Austria	12.51	Pakistan	9.5318
Belgium	28.18	Papua-New Guinea	On application
China	1.4874	Portugal	48.28
Denmark	5.1169	Singapore	2.1363
France	4.1054	South Africa	.8142
Greece	35.97	Spain	64.88

Key Indicators

		Current Period	Previous Year	Percent Change
Consumers Price Index — all groups base Dec 1977 - 1000	June 1979 Qtr	1177	1047	11.0
Building Permits Issued	April 1979	$ 78.8m	$ 77.4m	—6.0
	April 1979 Yr	$1141.4m	$1148.4m	—
Official Overseas Reserves	July 1979	$ 910.3m	$ 931.0m	—1.0
Registered Unemployed - incl those on special work schemes	Aug 1979	50,521	49,066	3.0
NZSE Share Price Index	Sept 27, 1979	362.77	326.01	11.0
Reserve Bank Share Price Index	Sept 26, 1979	1560	1379	13 0



"Separate checks, please."

Everything that glisters is not gold: silver soars

by Peter V O'Brien

GOLD has the headlines, but silver is gleaming brighter. *Overseas reports now talk* about the silver "fever", which is accompanying the gold "panic".

Gold went from US$214 an ounce to the region of $370-$380 an ounce in the last year, a movement of about 73 per cent. Silver over the same period increased 127 per cent, and sold last week in London at 651 pence an ounce (for cash silver; metal for delivery in three months was 667 pence). The "high" for 1979 was 850.5 pence, compared with a "low" of 269.4 pence.

The silver price rise is related partly to the rapid appreciation of gold, because the two tend to move in sympathy, particularly when currencies are weak. The decline in the strength of the dollar and of sterling are factors influencing gold and silver prices.

In the week to September 22 there were signs that silver was easing and dealers in London thought there might be a sizeable price reduction soon, although the United States market sets the pattern.

The link between silver and gold cannot explain the massive rise in the former's price compared with the latter. As an alternative to gold, silver has several intrinsic qualities in times of weak currencies, rising inflation, and a general downturn in the world economy.

The principal advantages (particularly in industrial uses) are conductivity and resistance to corrosion. The latter, coupled with relative scarcity, makes silver a suitable metal for holding personal "wealth".

Silver jewellery, for example, is a traditional method of holding wealth in India, where it is thought that much of the world's personal holdings are located, although the various references suggest it is impossible to estimate the quantity.

The main industrial uses are for photography, coins (although now becoming rarer, except for special coins, such as commemorative issues; cupro-nickel has taken over in this area, partly because silver coins are hoarded and become worth more than their face value when silver prices rise), silverwares, brazing alloys, and electrical and electronic equipment.

In photography halogen-silver compounds are used, because they are photo-sensitive, and react at relatively high speed. The electrical and electronic industries *utilise* silver's high conductivity, although rapid changes in electronic technology may be changing the usage pattern in that industry.

The world's main producers are Canada, Mexico, Peru, Australia, and the United States, with the Soviet Union also having high production levels, although (as usual) it is difficult to obtain any reliable figures on that country's production of any metal.

The main producing countries bring to mind the 19th century glamour of silver, glorified in countless westerns, and numerous "silver cities". The metal declined in popularity in Western countries during part of this century, except in industrial processes (which offset the drop in silver coinage) and in fine objects — usually termed "silverware". But even silverware tended to be confined to antique collectors, and was gradually removed from dining tables in favour of silver plated alloys, which are easier to clean, more convenient, and naturally cheaper.

Silver can be bought in several forms for investment purposes. Those who want to enjoy the aesthetic qualities of craftmanship may prefer antique (or modern design) silver objects, while others might purchase silver ingots or coins. In the latter case intrinsic value is the sole criterion, and removes any price variations which can depend on personal taste and a desire for a particular object, or particular period.

But those are Western refinements. In Asia silver denotes personal wealth. The young woman's chances of a classy marriage may depend on the amount of silver handed over as part, or all, of the dowry in countries which still carry on the practice.

The world silver price might look sick if the people of India quit their silver holdings and sold them to Western dealers and purchasers. That could also happen, of course, to the gold price if squirrels of the yellow metal were confident in the world's economic and monetary systems.

INL Group: investors chase paper

by Peter V O'Brien

THE sharemarket is showing increasing interest in the shares of the publishing group, Independent Newspapers Ltd.

In recent weeks the pattern of trading stepped up, and sizeable parcels were reported. On a rough calculation, about 200,000 shares have changed hands in the last two months.

That is slightly under 3 per cent of the capital, but it is a reasonable proportion when compared with figures earlier in the year.

There can be several reasons for market attention to a particular stock.

The first is the regular movements in institutional portfolios, when investment managers decide their return on either the purchase price, or in relation to alternative investments, is sufficient to clear the stock.

A second reason is recovery prospects. INL seems to be within that category, although the market overall may be unaware of the possibility.

The company had problems earning an appropriate return on investment in recent years. In the year to March 31, 1979 net profit was only 8 per cent of shareholders funds, compared with 7.8 per cent in the previous year and 11.2 per cent in 1977. Earnings on the $1 shares were 18 cents, which covered the 14 cents dividend only 1.3 times.

This year the group should be doing better, in line with other publishing companies.

The interim report will be available in a few weeks and will give an indication of the likely outcome for the full year.

Group managing director Alan Burnet was careful at the annual meeting in July, when discussing current prospects, although he said trading in the first three months of the financial year was ahead of the previous period, and "closer to a more acceptable level".

He considered it was an "unwise person who ventures to make medium to long-term forecasts in today's international and national economic conditions".

Burnet referred to substantial increases in wage, newsprint, fuel and communications costs. The last can be a massive burden in the newspaper and magazine business, particularly if the organisation regularly chases information around the country or overseas.

The prospect of improved profitability is therefore a second possible reason for interest in shares which sold last week at $1.58, to give a dividend yield of 8.8 per cent.

Last year's dividend was paid mainly out of capital reserves (13 cents from the total 14 cents), and was substantially tax free. The effective yield after taxation is higher than 8.8 per cent.

Then we come to a third possible reason for the growing interest in the shares, and one which has to be considered for many companies in today's investment climate.

Could an organisation be acquiring shares quietly, before making a few approaches to the institutional shareholders?

That type of activity is hardly unknown at present, and already has a publishing company precedent in the southern group, Allied Press.

The 1979 annual report shows that 17 insurance companies held 708,272 shares at balance date, while 85 "other companies" owned 2,108,718 shares from the total capital of $7,623,330.

Some of the "other companies" will include the News group in Australia, as well as private companies which received shares through takeovers, and various "family" organisations.

The spread of shareholding, after allowance for effective in-house shares, would allow an outsider to acquire an influential position in a short time, given the methods used in such activities (see page 12).

If that is the reason for the growing interest in *INL*, the company has attractions to add to a recovery of profitability.

At balance date each $1 share had a net asset backing of $2.32, compared with last week's market price of $1.58.

In theory there is a margin of 74 cents between share price and the asset values of the units as shown in the 1979 annual report.

The margin is probably higher, because group land and buildings are recorded in the books at 90 per cent of 1975 government valuation, apart from later additions.

Land and buildings shown "valuation" totalled $2.9 million at balance date.

Assuming that the [illegible] amount is 90 per cent of government valuation, the full 1975 GV would be [illegible] million. Current valuation, or market price, is harder to calculate, and could only be approximate. (1979 valuations in *Wellington, for example,* are now being issued, and [illegible] values seem to be about [illegible] per cent above 1974's figures.)

For the sake of [illegible] calculation a "guesstimate" of say 12.5 per cent could be added to land and buildings. That would raise the [illegible] million to about $3.7 million [illegible] a conservative market [illegible].

The difference between [illegible] amount and the $2.9 million shown in the books is $800,000 which represent another [illegible] cents a share, raising the margin to 84.5 cents above market price.

Other bits and pieces (investments and so on) might [illegible] the margin another few cents.

Any of the reasons suggested for the share activity could be the right one (or a combination of more than one), but the pattern of trading is intriguing.

When the addicted punter sees an intriguing situation it can be useful to take a chance after balancing the risk of losing a few cents a share against the possibility of better company performance and the activities of outsiders.

Note: The writer neither owns, nor has any beneficial interest in, shares of the INL group.

Bankers shuffle cards

FIRST there was the Bank of New Zealand's Visa debit card, then the National Bank's Visa credit card. And in a *few* weeks there will be Bankcard.

Or will there? The three Australian banks promoting Bankcard are joining the plastic money game with their own system, already well developed across the Tasman. But it has one important failing. It has no currency outside Australasia.

Bankcard is linked loosely to the competing international credit card systems, Visa and Interbank's Mastercharge cards.

Now the ties are being strengthened so that globetrotting Bankcard holders can be issued with either a Mastercharge or Visa card for overseas expenses.

Initially the three banks, the Wales, ANZ and CBA, will concentrate on promoting Bankcard only, but within six months, and probably before Australian clients, customers will get the overseas options.

And like the other two Visa cards being issued locally, customers almost certainly will have to pay for the privilege, unlike other users of the systems worldwide, who get their cards free.

And that poses the question for the travelling businessman: Why carry three cards when one will do?

The three banks, by keeping their own domestic system for Australasia, hope to cut costs by not becoming full Visa or Mastercharge licensees like the National and Bank of New Zealand.

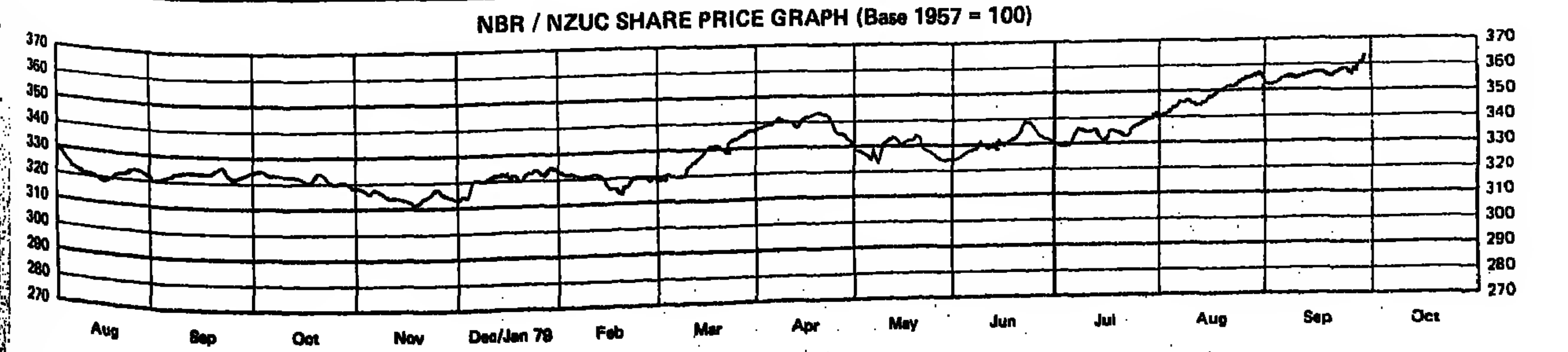
Adding up the pros and cons, it will make Bankcard's launch, (reliably said to be within "the next few weeks") all the more interesting.

NBR SHAREMARKET SURVEY

WEEK ENDING SEPTEMBER 27, 1979

1979 High	1979 Low		Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P.E. Ratio
115	100	ALPHONE, 50C	110	110	110	[illegible]	[illegible]	[illegible]	[illegible]
212	131	AJAX G.A.I.	237	...	...	[illegible]	[illegible]	[illegible]	[illegible]
114	99	A.J. WHITE	100	...	...	[illegible]	[illegible]	[illegible]	[illegible]
150	105	ALCAN, 50C	140	144	143	[illegible]	[illegible]	[illegible]	[illegible]
251	220	A.H.I.	243	245	243	[illegible]	[illegible]	[illegible]	[illegible]
71	64	ALLIANCE, 50C	67	97	66	[illegible]	[illegible]	[illegible]	[illegible]
250	230	ALLIED CAPTURE	255	255	255	[illegible]	[illegible]	[illegible]	[illegible]
200	120	ALLIED PRESS	200	200	200	[illegible]	[illegible]	[illegible]	[illegible]
220	220	ALLOY STEEL	270	...	...	[illegible]	[illegible]	[illegible]	[illegible]
220	165	A.M. BISLEY, 50C	215	215	215	[illegible]	[illegible]	[illegible]	[illegible]
131	77	AMPOL PET., 50C	120	120	120	[illegible]	[illegible]	[illegible]	[illegible]
145	120	A. BEAUPO	175	150	125	[illegible]	[illegible]	[illegible]	[illegible]
125	104	A. SPRINGHALL	115	115	115	[illegible]	[illegible]	[illegible]	[illegible]
260	245	A. WRIGHT	245	245	245	[illegible]	[illegible]	[illegible]	[illegible]
260	190	A. BARNETT	241	241	241	[illegible]	[illegible]	[illegible]	[illegible]
150	125	A. ELLIS	135	...	...	[illegible]	[illegible]	[illegible]	[illegible]
310	207	ARTHUR YATES	300	305	300	[illegible]	[illegible]	[illegible]	[illegible]
311	276	ASHBY BERGH	275	...	...	[illegible]	[illegible]	[illegible]	[illegible]
211	175	A. B. CABLES	195	195	195	[illegible]	[illegible]	[illegible]	[illegible]
69	40	ATLAS, 50C	59	57	59	[illegible]	[illegible]	[illegible]	[illegible]
450	310	AUCK. GAS	475	430	425	[illegible]	[illegible]	[illegible]	[illegible]
225	175	AURORA, 50C	188	190	188	[illegible]	[illegible]	[illegible]	[illegible]
		A.L.C.	190	...	...	[illegible]	[illegible]	[illegible]	[illegible]
97	70	AUTOCRAT BUILDS	88	80	80	[illegible]	[illegible]	[illegible]	[illegible]
79	50	BAILLIE, 50C	63	...	...	[illegible]	[illegible]	[illegible]	[illegible]
86	72	BALLINS, 50C	85	67	85	[illegible]	[illegible]	[illegible]	[illegible]
450	344	BANK NSW	375	390	375	[illegible]	[illegible]	[illegible]	[illegible]
87	53	BEACH RETR., 50C	70	...	...	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)



Tiny county ruminates over million dollar plant

ONE of New Zealand's smallest counties is deliberating on a change of land use which would allow the siting of an ammonia-urea complex in the heart of dairyland.

On September 12, Waimate West councillors began hearing more than 50 submissions for and against the bid by the Natural Gas Corporation to site its multi-million dollar complex on prime dairy land in central Taranaki.

The councillors adjourned the hearing some eight days later sine die and indicated they would call for further evidence if they felt it necessary before they reached a decision.

Four days after the hearings in Manaia, the Taranaki Catchment Commission's special tribunal began hearing an application to take water from one of three streams. The NGC is also applying for a right to discharge effluent from its petrochemical plant.


THE ENVIRONMENT

The NGC water and discharge applications have drawn 15 submissions and one objection.

Among those to make submissions were the Environment Defence Society, the Lactose Company of New Zealand and the Waimate West County Council.

The county council hearings were held in the small town of Manaia; the TCC held its session at Stratford.

The Waimate West councillors are bound by the Town and Country Planning Act to consider that any change from land zoned rural to industrial will protect conserve and enhance the physical, cultural and social environment, the wise use and management of the country's resources, to protect land of high or potential value for the production of food.

They must also plan for the wise use and management of the resources, direction and control of the development of the area to the best advantage.

Works Minister Bill Young contended that the manufacture of ammonia-urea from Maui gas which would be fed to the Kapuni plant from New Plymouth was a wise use of national resources and in accord with Government's natural gas policy.

Assuming the necessary safeguards were applied, Young argued the advantages of the scheme outweighed disadvantages and would benefit the country as a whole.

Similar views were put by the Natural Gas Corporation which even relocated the plant on its site in a bid to overcome objections from Shell-BP-Todd and local farmers to increased noise levels and emissions.


IAN BAUMGART . . . critic now satisfied.


BILL YOUNG . . . country-wide benefits.

NGC manager Ron O'Callahan said siting the plant at Kapuni would be a bonus because of the existence already of a plant for removing CO2 from the Maui gas stream.

Siting the plant elsewhere would involve an extra expenditure of several million dollars.

But he conceded "the plant could be easily located" elsewhere, for it was designed as a package and was readily transportable.

As to market prospects, both the NGC and Petrocorp pointed to savings of $10 million in overseas funds and earnings from both internal and external markets.

"These have been determined by an independent analysis of the corporation through its independent consultants, the Jomes Chemical Engineering Corporation," O'Callahan said.

Other evidence was produced claiming that any ammonia leakage would be negligible and farming plant and equipment would be insignificantly affected by corrosion from the chemical fall-out from the plant.

Shell-BP-Todd's corrosion and environmental engineer R N O'Brien said the main fallout chemicals would be ammonia, urea, nitrogen oxide, carbon dioxide and water vapour. All would dissolve in atmospheric moisture and fall down near the plant.

The Hawera Businessmen's Association contended the plant would revitalise southern Taranaki; the Taranaki United Council and the Hawera District Council, while giving general [illegible] expressed fears about [illegible] water supplies from [illegible] Kapuni stream which the [illegible] had nominated as a [illegible] source for supply [illegible] discharge of effluent. [illegible] south Taranaki town [illegible] water from the main [illegible]

In the middle and [illegible] the pipeline, the Commission for the Environment [illegible] mended that one industry zone be set up and a [illegible] authority monitor the [illegible]

The former chief critic [illegible] Government's decision [illegible] carry out a full environmental impact report into the scheme, commissioner Ian Baumgart said the town and [illegible] hearing had provided a suitable platform to air [illegible] aspects.

The opposition was led [illegible] the local school committee, on whose behalf the Taranaki Education Board [illegible] that the proposed buffer [illegible] was inadequate, and [illegible] tended would include [illegible] school. And with [illegible] farmers, Federated [illegible] the Environmental [illegible] Society, the education [illegible] claimed the scheme was [illegible] the best interests of the [illegible]

Federated Farmers [illegible] that Petrocorp had [illegible] granted a monopoly of [illegible] Zealand fertiliser [illegible] preventing competition [illegible] price and quality [illegible] sulphate of ammonia [illegible] from other [illegible] manufacturing resources.

And it was in basic [illegible] with the EDS that:-

- Construction [illegible] operation of the plant [illegible] Kapuni area would not [illegible] use and management of [illegible] Zealand's natural [illegible]
- The plant would [illegible] undesirable encroachment [illegible] land with a high [illegible] potential value [illegible] production of food;
- The scheme was [illegible] to the principles and objects of the Water and Soil Conservation Act, 1967;
- The proposed area [illegible] unsuitable as a site for [illegible] ammonia-urea plant.
- The proposed use [illegible] likely to have detrimental effects on the existing [illegible] foreseeable future [illegible] of the area and surrounding region.

Price Surveillance Regulations put new light on meat workers award

NEGOTIATIONS to settle the approaching season's meat workers award will be watched with critical interest by farmers this year.

The first point of interest will be the extent of the increase. Most observers believe that taking the 4.5 per cent general wage order into account, the increase will be at least 14 per cent.

The second will be how the companies themselves pass on the charges to farmers, and whether the recently-instituted Price Surveillance Regulations will spark the competition necessary to keep increases to a minimum.

The award talks between the New Zealand Freezing Companies' Association, representing all New Zealand companies, and the New Zealand Meat Workers and Auckland Freezing Workers' Unions have broken down after three rounds of talks.

This has surprised nobody, as such breakdowns are expected each year.

The new season is fast approaching, however, and the award should be wrapped up this month if it is to have any chance of getting the season off to a smooth start.

The association's offer to date has been described as "token" by Meat Workers' Union national secretary Blue Kennedy. It is also a conditional one, dependent on such controversial matters as manning also being satisfactorily resolved.

This latter point is particularly concerning companies, and they may want to make an issue of it.

While some increases in the number of men on a chain — and therefore higher costs — were forced by hygiene regulations, the number varies from works to works.

With increased automation just around the corner, the companies want to get the number of men reduced.

Ironically, productivity on a chain is lower than butchers working the solo method, which had been the means of slaughtering animals from the industry's inception in the 1880s until the early 1950s.

The companies' offer represents about 7 per cent on last season's rates for lower-paid workers. With the 4.5 per cent general wage order, the minimum increase however, seems likely to be about 14 per cent because meat workers are most unlikely to accept anything less than 9.5 per cent as a basic increase.

The unions' claims are much higher, of course, and the eventual settlement might be as high as 18 per cent. It will be interesting to see if the Government is again prepared to "buy" peace in the industry and allow such a settlement to go through.

Whatever the settlement, freezing companies will have to decide how to recover it, and what proportion should be recovered.

The industry's rule of thumb is that a 1 per cent increase in wages means a seven cents rise in the killing and freezing charges. In such circumstances, the increases will range from 98 cents (14 per cent) to $1.26 (18 per cent) a lamb if passed on directly.

As farmers' returns from meat are ever-diminishing, reaction is likely to be strong if they find schedule prices offered reflecting an obviously steep increase in killing and freezing charges.

This year, it will theoretically be easier for freezing companies to do so under the new regulations.


BLUE KENNEDY . . . association offer is "token."

From 1974 until recently, charges were controlled by the Stabilisation of Prices Regulations, although many farmers would probably argue that control was not the correct word.

The Ministry of Agriculture and Fisheries had to examine all applications to increase costs. Only two were allowed each season, and past costs could not be used as justification for an increase. Retrospective wage payments could not be recovered either.

Yet from July 1974, the charges for killing and freezing a lamb increased by about 200 per cent.

This was mainly because of the vast capital required to meet hygiene requirements and wage increases.

Much of the latter, the association did not want to meet but had to so that it could maintain a service to farmers.

A similar situation may recur this year. In all but a couple of areas, excellent lambing percentages have been reported, and farmers will be anxious to get lambs and old ewes off to the works as early as possible.

But in Southland for example, there is already pessimism that because of the award talks breakdown and local problems that are still unresolved, the province's four works may not open before January.

Charges this season will be set under the Price Surveillance Regulations, which allow the companies a considerably freer hand.

Most of the steps, providing for justification have been removed.

While farmers are understandably wary, the industry itself sees the change as a step forward.

"Some might say that this recent Government action, in the absence of delicensing, might lead to unprecedented increases in killing and processing charges," association secretary T R Ritchie said.

"This is unlikely to happen for two reasons: Firstly, competition between companies competing for the finite stock resource will continue to provide considerable restraint in the setting of charges," Ritchie said.

"Secondly, the industry will be, more than ever before, under the scrutiny of the public eye. The industry will be required to fully justify any movement in charges."

Farmers will be hoping that Ritchie's prophecy is an accurate one.

Anchor's away — in a bid to sail up-market

by John Draper
In London

PRIMARY INDUSTRY

FALLING sales are sending New Zealand's Anchor butter in search of the cream of the British market.

After year's of jam as the brand leader in British supermarkets, Anchor is heading up market, subtly changing its image to a superior product commanding a premium price.

A redesigned paper wrapper is already in use as the standard half pound pack goes metric.

Image-building will begin later this year as the New Zealand Dairy Board's new butter processing plant at Swindon in Wiltshire comes into operation and as quotas for the 1980s become clear.

Already the European Economic Community's Dairy Management Committee has given the board a taste of the new market.

High levies imposed on Anchor for the first six months of this year sliced sales by a third while community producers opted to sell to wholesalers at below intervention prices.

Anchor was thus selling for two pence more a half-pound pack than English, Irish, Danish, Dutch and German butter.

Levy changes in August raised Anchor sales to the original weekly target to clear the 1979 quota of 120,000 tonnes, but not high enough to clear the unsold backlog of around 20,000 tonnes.

The European Economic Commission in a report on New Zealand butter has already suggested a voluntary cut to quotas in 1980 in return for clearing the Anchor butter mountain which is likely to be at around 80,000 tonnes by the year end.

Officially, the New Zealand quota for 1980 is 115,000 tonnes, after which the agreement allowing access has to be renegotiated.

That Anchor butter will still be bought by British housewives in 1981 and beyond is not in doubt. The quantity is.

The commission's report, written after the visit of Agricultural Commissioner Olav Gunderlach to New Zealand, suggests lower quotas in return for a higher price and greater marketing flexibility for the Dairy Board.

It also suggests the quota be tied to the whole community and not just the British market, a point that is likely to be strongly opposed particularly by the Irish and French.

The commission's report, which is expected to be discussed in detail by the Council of Ministers later this year, must be agreed to unanimously before implementation.

And as has become the practice in all community negotiations, Britain — as New Zealand's voice — will have to trade off concessions to win an acceptable deal.

London sources say Conservative Agriculture Minister Peter Walker "is unlikely to go to the barricades for New Zealand butter" as his Labour predecessor John Silkin might have done.

The cost of the Common Agricultural Policy which is directly related to the dairy surplus is topping Tory priorities in Europe.

The community budget seems almost certain to run into deficit within the next 18 months and the British Government has already made it clear that it is not going to increase its contribution by putting up value added tax.

Further, it wants the budget restructured to reduce its net payments into the community coffers.

As one of the poorer members, Britain is the largest net contributor. Lower payments inevitably mean a change in dairy policy.

Thirty per cent of the budget goes to support Europe's high-cost dairying, particularly the smaller farmers with few cows, but essential votes, in Southern Germany and France.

Other elements of the Common Agricultural Policy swallow another 45 per cent of the Community's overall budget.

British dairy herds are three times the average community size and also the highest yielding.

In terms of the community's overall dairy policy, New Zealand's butter sales pale into insignificance, a factor which will ensure survival.

The community's butter market is now about 1.5 million tonnes a year and falling because of the high prices.

Production supported by an intervention - guaranteed minimum-price is 1.96 million tonnes.

Removing Anchor from the market would have no effect on the European surplus and would disrupt the small world market beyond.

Economists argue that price-cutting across the board is not a solution to the problem, though holding intervention prices steady as was done this year and letting inflation take its toll on marginal producers might give temporary relief. Even so, community production is increasing at around 5 per cent, though in Britain the increase is relatively steady at 2 per cent.

Butter is extremely price sensitive among brands, with the housewife buying the cheapest. For many years in Britain that was Anchor.

But across-the-board price cuts on all brands are unlikely to send overall sales soaring.

Margarine is half the price of butter, and is favoured by those on low budgets. Economists calculate the price cuts needed to sell the surplus would result in butter being sold at less than cost.

The seemingly ludicrous solution, and one strongly opposed by the British Government, is to sell heavily subsidised community butter to the Russians at a third of the European price.

BUTTER exports to Britain will be sliced to around 80,000 tonnes in the early 1980s as the European Economic Community grapples with its mounting dairy surplus.

Already the European Agricultural Commission has asked the New Zealand Dairy Board to accept a voluntary quota cut this year and next in return for a reduction in the growing stocks of unsold Anchor butter in British coolstores.

This year's quota of 120,000 tonnes is unlikely to be sold. In the first six months less than 40,000 tonnes were bought and since a levy adjustment in August sales have picked up to around 2400 tonnes a week, insufficient to clear the backlog.

The agreement giving the Dairy Board access to the British market expires at the end of 1980. A future agreement will be on the agenda for Europe's agricultural ministers when they meet this month.

The European Commission has been putting up proposals for several years to tackle the dairy surplus, but all have proven to be politically unacceptable.

Some observers are predicting a showdown between the council of agricultural ministers and Commissioner Gunderlach in the next six months.

One school of thought expects Gunderloch to threaten to resign unless the ministers accept his modified proposals.

Exactly when New Zealand will find out what its quota for the 1980s will be is uncertain. Predicting when and what decisions will be made is proving difficult even for government advisors involved.

What does seem certain is that the quota will be cut. Some sources predict 80,000 tonnes is likely to be close to the post 1981 level.

And the quota could be set in tonnes or more likely tied to a market share with a fixed ceiling.

Under the current agreement covering butter sales, Anchor is effectively guaranteed a minimum 25 per cent market share. But the British market is declining from 500,000 tonnes in 1975 to an estimated 400,000 tonnes this year.

A 25 per cent share in 1981 is certain to be less than 100,000 tonnes.

No agreement is likely to be permanent. In community terms a long agreement is three years, at best five with a built in review.

The British Government will support the Commission's recommendation giving the Dairy Board greater price flexibility.

Acceptance by the Council of Ministers will end the Dairy Management Committee's politicking, largely responsible for the growing mountain of unsold Anchor butter in Britain.

The commission's proposal of a fixed levy will pass wholesale pricing control to the Dairy Board.

With an up market image — and that does not include foil wrapping which the Board considers tainted in the British housewife's eye by its European connection — there is clear scope for bigger profits.

Better quality control is expected at Swindon, only 32 kilometres from the geographical centre of Anchor's distribution area and adjacent to the M4 motorway, as the quantity packed by sub contractors drops from 80 per cent to less than 20 per cent.

The commission lists seven factors to be taken into account in the negotiations.

- The importance of the United Kingdom as an outlet for the community's own butter producers;
- The high level of production within the community and necessity for restraint both with production and prices;
- The maintenance of butter consumption through reasonable prices to the consumer;
- Traditional links between New Zealand and the EEC;
- Desire for closer co-operation between institutions in the EEC and New Zealand with the objective of promoting orderly world marketing. "It should be borne in mind that not only is New Zealand dependent on the community market but also that the New Zealand market is important to the community".
- The need to avoid drastic effects on the New Zealand economy;
- And the need to get stability in the community butter market particularly in the United Kingdom — the only net importer — to the benefit of all suppliers.

Wines pointed to Germany

NEW Zealand white wines are young, fresh and fruity, according to the renowned viticulturist from the Geisenheim Institute in Germany, Dr Becker.

But further work needs to be done with the selection of better strains (or clones as they are known in the industry) of the existing grape varieties, he says.

He pointed out that the Muller-Thurgau variety, better known in New Zealand as Reisling Sylvaner, was now the leading variety planted in German vineyards. It produced young, fresh uncomplicated wine which was popular among newcomers to wine the world over, but could never eclipse the true Riesling variety which largely comprised the plantings in the prestige areas of Germany — the Rheingau and the Moselle — and made wines of greater complexity.

Becker visited vineyard areas in Henderson, Gisborne, and Hawke's Bay as the guest of the Wine Institute.

At a seminar in Auckland attended by wine growers from all over New Zealand, he demonstrated in an audio visual presentation what he meant by better clonal selection.

Perhaps his point was better illustrated by a panel discussion on what was the best root stock for grafting under New Zealand conditions. The leading rootstock here, 1202, is one that has been discarded years ago in Germany.

About 130 litres of beer per capita are consumed annually in Germany. Wine consumption is 24 litres per head, of which about 12 litres is imported.

Germany does not make enough wine for its own purposes. And Becker suggested that, as New Zealand white wines are similar to many exported from Germany, perhaps this country in time could fill the gap in Germany's present export market.

Kiwis catch gold fever

GOLD bulls are romping through the money markets of the world to a buying spree that may double the price of gold this year.

New Zealanders are catching gold fever, too. The demand has been so heavy, that suppliers of gold coins and bullion for investments are running out.

When Brendon Scorer, of the World Bullion Company, began a series of seminars in Auckland on September 1 he was selling one-ounce gold Krugerrands for $370 each (NBR, September 12, 1979).

On Monday last week, Scorer's price for one Krugerrand was $450 — an increase of nearly 10 per cent in 24 days.

Scorer's selling price for bulk buyers (100 Krugerrand or more) that day was $440. His buy back price: $418.

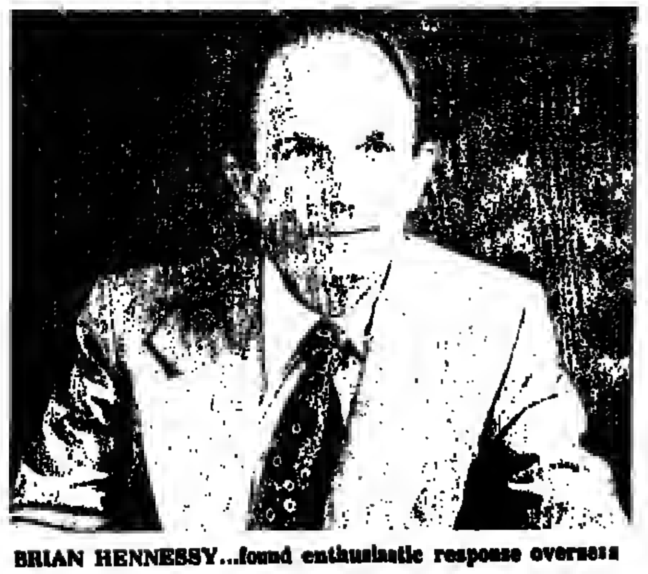
But Scorer said none of his customers was taking their profits. Everyone was holding on to gold.

The problem is supply. Scorer would not say how many Krugerrand he had sold in the past three weeks. But he estimated it would have been at least 400 of the coins.

He has run out of coins and is selling on 14-day delivery.

Matthey Garrett NZ Ltd, New Zealand's biggest gold dealer, recently stopped supplying bullion for investment.

It would continue to supply gold coins, but stocks have run out.



BRIAN HENNESSY...found enthusiastic response overseas

Pistol fires readout on fat

THE Hennessy & Chong Fat Depth Indicator is a probe which, through a combination of electronics and optics, can discern the interface between the outer layer of fat on a carcase and the muscle, and measure the thickness of the fat layer.

It consists of a tough plastic pistol shaped case fitted with a stainless steel probe. The probe is pushed into a carcase, and as it is pulled out it measures the fat depth in millimetres, displaying the result in a lighted digital readout at the end of the instrument.

The instrument combines an optical measurement system with electronic circuitry which converts the measurement to a digital read-out. The measurement is done by a small light-emitting diode and a photosensitive diode which are inset into the 75mm long by 6mm diameter steel probe.

Through the action of the diodes the probe is sensitive to colour change in the material through which it passes, and is particularly sensitive to the differences between the pinks and reds of muscle and the white or yellow of fat.

By discerning this colour change, the probe can accurately measure the distance between the interface of muscle and fat and the datum plate which is pressed against carcase surface.

The instrument automatically resets to zero when pushed into the next carcase.

The fat depth is converted to 20 milliamp current loop to [illegible] the information to a computer, which the company [illegible] instrument can then feed into any suitable system [illegible] measurement and recording that it desires.

The FDI has been designed for long life and reliable performance in the testing environment of meat packing houses.

The case is moulded from tough, impact resistant plastic able to protect the solid state electronic circuitry inside from heat, cold, water and shock. Its functional shape and light weight means it can be used at the rate of one reading every two seconds, for a working day and cause the operator [illegible] fatigue.

An important feature is that the probe measures fat depth as it is pulled out of the carcase, not when it is pushed in.

First, as the probe is pushed in it distorts the layers of muscle and fat and this would give a false reading. As the probe is pulled out the layers of muscle and fat have settled down into a normal position and that is what is read.

Second, it eliminates the problem of different operators pushing the probe in with different degrees of pressure and thus giving varying readings. As the probe is withdrawn it is controlled by a constant pressure which is independent of the operator.

FDI...sorts the pinks from the yellows

FDI: million-dollar potential

A FAT-MEASURING instrument which could revolutionise meat grading systems throughout the world and earn millions of export dollars has been invented, developed, and is now being manufactured, in Auckland.

It is the Hennessy & Chong Fat Depth Indicator (FDI), brainchild of instrument engineer Brian Hennessy.

The FDI permits the objective measurement of hot-fat depth in carcases to standards of accuracy and at speeds which have never been possible before.

The instrument's most immediate application is in grading pig carcases, but it seems that the majority of local producers have no inkling that the problem has been solved.

At the July annual meeting of the Pork Industry Council one remit was passed seeking a full review of pig grading because of dissatisfaction with the current system, which is based on the manually operated Intrascope.

And at the Meat Board Electoral Committee meeting in August, a Meat Board executive officer was asked about the prospects for objective grading. His reply was that work was being done on it, but practical instruments were a long way in the future.

Developing an instrument which would reliably carry out objective hot-fat measurement has been taxing the minds and research finances of companies throughout the world.

There are enormous rewards to be won by the company which develops such an instrument.

Government agencies such as Britain's Meat and Livestock Commission and the American Department of Agriculture, commercial meat companies, and research organisations are all seeking better systems of subjective grading which now depend on eye appraisal or difficult-to-use manual-optical instruments.

In a sales investigation trip to the United States, the EEC countries, Sweden and Denmark earlier this year, Hennessy found enthusiastic interest in the FDI by all sectors of the meat-killing industry and governmental agencies.

At about $8000 each, FDI, export sales are estimated to reach more than $100 million.

An example of the attraction of the FDI to meat processing companies: In the United States and Canada, pig carcases need to be split in half to be graded — with a steel ruler.

The FDI will eliminate this, and Canadian and American pork processors told Hennessy this would mean a huge number of skins which are now converted to low value food products would be suitable for tanning. This would bring higher return from each carcase through the sale of leather and suede quality pig skins.

In packing houses, where the type of cuts produced from the pig carcase are dictated by day-to-day market prices, the FDI would allow more precise division of carcases into the appropriate cuts.

Some processors estimated this feature alone would save at least $1 a carcase. Their throughput is enough to pay for an FDI in one day [illegible] saving alone.

The only other commercial competitor in the business of measuring carcase fat is the Danish SKF conductivity probe. Some [illegible] organisations are working [illegible] conductivity probes, but [illegible] are not on the market yet.

The conductivity probe is [illegible] as accurate as the FDI's optical-electronic system, and is much more expensive.

The conductivity probe measures changes in electrical resistance accurately, but [illegible] not tell which precise [illegible] in electrical conductivity represents the actual [illegible] of fat and muscle.

This change in resistance which represents the [illegible] has to be estimated [illegible] average of a large [illegible] tests on carcases. But [illegible] cases vary, depending [illegible] such things as feed, [illegible] weight, age, and even [illegible] the animal's state of mind [illegible] the time of slaughter.

Compensation for the various factors can be [illegible] into the conductivity probe, but this is not the same as [illegible] direct reading of the actual [illegible] muscle interface which [illegible] FDI optical reader provides.

Hennessy has a strong [illegible] in New Zealand's ability [illegible] compete as a manufacturer [illegible] special areas such as electronics and plastic, particularly with equipment related to the agricultural industry — the "Switzerland of the Pacific" concept.

He ran a company which specialised in the manufacture and repair of precision instruments.

One day he was called [illegible] repair the manually operated Intrascope, which [illegible] measure fat depth [illegible] carcases.

He decided it should [illegible] possible to do the same [illegible] faster and more accurately with optical electronics, [illegible] the idea for the FDI was [illegible]

The Chong part of [illegible] and Chong Ltd, the [illegible] company set up to [illegible] commercial development [illegible] the FDI, comes from Auckland businessman Jack Chong.

He came in with financial assistance for Hennessy at [illegible] early stage of the [illegible] development and has [illegible] actively involved in the [illegible] side, through his knowledge [illegible] the food manufacturing industry.

In getting the FDI [illegible] manufacturing stage, Hennessy has received [illegible] siderable technical assistance from the DSIR industrial development division.

Capital for developing [illegible] setting up the factory has [illegible] provided by the DFC.

Employer study: wages threaten export hopes

by Colin James

WAGE settlements are already running too high if New Zealand is to maintain its international competitiveness.

So says the Employers' Federation, which argues that, without improved productivity or an acceleration of price rises for foreign competitors' products, total wage costs can rise by no more than 11 to 12 per cent in the 1979-80 year if international competitiveness is to be maintained.

Already settlements are running at a level which will mean a total wage bill rise of well above that limit.

When added to the 4.5 per cent general wage order, settlements at around 10 to 10.5 per cent will mean wage cost rises of between 15 and 15.5 per cent.

The federation's calculation results from a survey of 11,000 of its members, of whom 2500 replied.

It is based on earlier research by its policy and planning co-ordinator, Max Bradford, suggesting that a "wage path" should be identified which would allow the "exposed sector" of the economy to remain competitive.

Bradford's "exposed sector" encompassed exporters and domestic producers not protected from competition of foreign imports.

From the recent survey, Bradford calculates an appropriate "wage path" for the coming year of "something less than 8 to 9 per cent".

Replies to the survey — which came from firms accounting for roughly half total non-agricultural exports — suggested that New Zealand non-agricultural exporters maintained their competitiveness last year.

They raised average wholesale export prices by 12.2 per cent, roughly 1 per cent more than their competitors in overseas markets.

But within that sector, exporting manufacturers did less well. They reported their own export prices rose nearly 10 per cent while their competitors' prices rose by just over 7 per cent.

This suggests "some small loss of export competitiveness" among manufacturers.

Looking ahead to this year, non-agricultural exporters covered by the survey expect prices in overseas markets to rise by about 6.5 per cent next year.

At the same time they estimate their own non-labour costs will rise by nearly 13 per cent.

If profits are to be maintained and non-agricultural exporters are to hold their share of overseas markets, the Employers' Federation says, "labour costs in the non-agricultural sector will have to rise by something less than 6 to 6 per cent".

This is the appropriate "wage path" for 1979-80.

In the manufacturing export sector, competitors' prices are expected to rise by 7.7 per cent and non-labour internal costs by 12 per cent.

The employers' estimated "wage path" for exporting manufacturers is "something less than 6 per cent".

This could be affected by productivity increases. In 1978-79, companies replying to the employers' survey said their productivity rose by 3.1 per cent.

But in 1979-80 most exporters — whether in the non-agricultural sector as a whole or among manufacturers only — anticipate no change to productivity (though of the minority expecting a change, more expect an improvement than a fall).

The employers' study notes four other factors, three stemming from the June Budget, which will affect the rate at which wage rates could rise and still maintain competitiveness.

- The 5 per cent devaluation.
- The introduction of the managed float into exchange rate policy (designed by the Government to offset differences between New Zealand and foreign production costs).
- The announcement of a new regime of export incentives.
- An acceleration of inflation rates and wage costs in New Zealand's overseas markets.

Assessing the impact of these factors (by an undisclosed formula) the federation's "best estimate is that to preserve the competitiveness of the non-agricultural export sector, total labour costs, including general wage increases, should rise no faster than 11 to 12 per cent in 1979-80.

"The settlements in the general drivers, metal trades and electricians' negotiations already indicate that this wage path has been exceeded," the federation says.

"With the 4.5 per cent general wage increase included, and in the full knowledge that the general level of wage increase in these trend-setting awards will flow on to most other awards in the 1979-80 wage round, wage costs in all industries will rise by between 16 and 15.5 per cent."

The federation goes on to warn that "it is clear that the non-agricultural export sector is threatened with a loss of competitiveness if wage costs are allowed to escalate beyond the present indicated levels for 1979-80 of 15 to 15.5 per cent."

"Equally, in assessing the equity of this increase against present estimates of inflation of between 15 and 17 per cent for the next year, the impact of the tax cuts announced in the 1979 Budget and the increases in the family benefit should not be overlooked.

"Depending on family status and income, these fiscal measures will add between 1.5 per cent and 8 per cent to the wage and salary earner's net take-home pay.

"Consequently, the after-tax real income of most, if not all, wage and salary earners will be protected in 1979-80 and for some groups real incomes should rise."

FOOTNOTE: Bradford was asked why the managed float exchange rate formula would not compensate for labour cost rises and keep exporters competitive.

Bradford said that the managed float was similar to a devaluation.

"In that sense, if wage costs rise internally and damage competitiveness, one would expect the exchange rate to move downwards," he said.

"That devaluation would raise import and domestic costs and end up in the rate of inflation.

"*Thus the managed float* goes some way towards maintaining competitiveness, but not all the way. A number of other factors are involved."

State Securitibank stance sparks inquiry

by Warren Berryman

THE Ombudsman has been asked to look into Government's dealings with properties formerly owned by the collapsed Securitibank group or its debtors.

Securitibank's committee of inspection, through the new liquidator, Harold Goodman, wants the Ombudsman to look into an apparent Government blanket decision not to buy or lease properties from the Securitibank liquidator.

It is understood the committee feels this Government decision may have hurt Securitibank's creditors.

Behind the scenes lurks an ethical question: Should Government — whose agencies were major Securitibank shareholders — buy or lease properties from the collapsed group?

Central to the case brought before the Ombudsman is the sale of the Swanson Towers block in Auckland to the Challenge Corporation after Government earlier had refused to buy, and the subsequent leasing of this property by Challenge to the Government.

Swanson Towers, a prestige office block in downtown Auckland, was built by Samco Sargent Consolidated Ltd.

Samco Sargent went down in the vortex created by the Securitibank crash and the block was left to be disposed of by Fred Walson a receiver appointed by Securitibank subsidiary, Merbank.

Swanson Towers was then valued at about $4 million.

The Auckland office of the Works Ministry was negotiating to buy the property in 1977 for about $3.5 million. But Government backed out — apparently the result of a Cabinet decision. (NBR November 8, 1978).

The property was sold to Challenge for $2.35 million in June 1978.

Challenge then leased the property to the Labour Department last November.

The Labour Department has held the lease for nearly a year but has yet to occupy the building.

The department will occupy a total of 15 floors in the block (each floor is about 3500 square feet).

It now appears the taxpayer is footing the bill for this unused space.

About 35 per cent of the building was occupied when it was sold to Challenge.

The sitting tenants were less than pleased that their prestige building should be used by the Labour Department as low-quality real estate.

During the period of negotiation before the bargain-basement sale to Challenge, the Securitibank creditors received a mere pittance in rents from the virtually empty building.

Potential tenants existed but were turned away — presumably because the Government would want vacant possession if it decided to buy.

Some sources close to the Securitibank liquidation feel that insofar as Government agencies were a major Securitibank shareholder, and insofar as the names of Government Life and State Insurance were used to inspire confidence in Securitibank, the Government might have helped these creditors out by buying or leasing the property rather than allowing it to be sold to Challenge, and then leasing from it.

Rhoodie: counters to anti-apartheid revealed

SOUTH Africa's efforts to curb her anti-apartheid critics abroad provide the theme of the final part of our Financial Times series, the Eschel Rhoodie interview report.

Dr Rhoodie, the former head of the South African Information Department, has previously described how his propaganda unit was set up and the contribution it made toward establishing contact with Black Africa in the mid-1970s.

DUTCH members of an organisation with strong anti-apartheid views were surprised in 1974 to receive an annual peace journal which contained only the most moderate criticism of South Africa.

In fact the journal, mailed to them privately, was bogus. In the words of Eschel Rhoodie, it was his department's "alternative" publication.

They had gained access to the mailing list, discovered the intended contents of the journal, and produced a look-alike copy. Rhoodie does not recount the consequences.

According to Dr Rhoodie, more than $125,000 was channelled to a front organisation in Holland to counter anti-apartheid activities. In both Holland and England, he says, he had access to the plans and membership of these movements: information which he used to "confuse and disrupt" them.

The front organisation used in the peace journal project was Stichting Beheerscentrum — Foundation Control Centre — based in the Hague. It has been defunct for three years. The hoax was pulled on subscribers to an annual publication of the Interdenominational Coo- sideration of Peace.

(The former treasurer of the Beheeracentrum, F van Buren, said that the organisation received money from Rhoodie, but says it was no more than $40,000. He was at pains to say that nobody had been bribed with the money which he says was used to fund a political report.)

According to Rhoodie, two British Labour Party members of Parliament — whom he does not name — provided information about the activities and membership of anti-apartheid organisations there.

The former propaganda chief went on to give details of the steps taken by his department to counter the effect of anti-apartheid opposition from the World Council of Churches.

First, an organisation was formed — called the Ecumenical Organisation Bureau — to establish contacts with church groups disagreeing with the council's standpoint.

Altogether $150,000 was channelled to the bureau, which set up a programme for visitors and prepared propaganda for distribution world-wide. But progress was not thought very satisfactory.

As a result Rhoodie's office decided to work through the anti-communist Church League of South Africa, a small Methodist group ... published a weekly ... Encounter. (This has ... connection with the ... magazine, Encounter ... published in Britain.)

The magazine was ... vamped and offices of the church opened in Washi... and London. It eventually ... a circulation of "several thousands of copies".

Turning again briefly to ... department's efforts to ... "sympathetic" reporting ... South African events by ... fluential publications, Rho... claims to have been succ... in the case of the Ameri... weekly, Business Week.

Business Week publish... annual supplement betw... 1975 and 1978 which ... largely subsidised by ... vertising paid for by ... department. Editorial ... by agreement, was supp... the journalists of the ... department-funded maga... To The Point.

Rhoodie claims that as ... result of the suppleme... financial and economic ... jects, South Africa rec... nearly 26,000 letters ... American politicia... businessmen and oth... citizens.

Finally, Rhoodie touche... his department's recru... of famous South Africa... combat international be... and the threatened lo... business resulting from S. Africa's political policie... such "envoy", he said ... Gary Player.

Player, says Rhoodie ... vited leading Ame... executives from ... management of C... Ford, Boeing and the ... America to play golf ... in South Africa. For ... Player was paid $30,00...

"I gave Player this ... because he could have ea... a similar amount if ... time he worked for me ... had won a big interna... tournament," said Rho...

Guide musters media

HOW many advertising agencies are there in Hamilton? Five. How many regional farming publications? No fewer than 16. How many suburban newspapers in Auckland? Six.

It's not that we're smart — we've just been perusing the 1979-80 edition of "Advertising Directory and Media Planner". Published by Press Research Bureau, this seventh edition maintains the same format as previous editions with an increase in the number of publications listed.

It covers 150 newspapers and 480 magazines, plus radio and television stations, advertising agents, PR consultants and direct mail companies.

Its particular value is in the print field where newspapers are listed alphabetically, geographically and in their NPA classifications. The geographical listings provide all the basic information an enquirer needs to know; addresses, executives' names, mechanical details, circulation, deadlines and basic rate data.

The magazine section is grouped into market classifications with useful cross-indexing and again full media information.

For any advertising man with a continuing concern with media this directory has to have a place on the reference shelf.

Bank offers specials

FOR food and variety stores these days multiple page advertising is as common as this week's specials.

But when a sedate, conservative national advertiser triggers a triple page in the metros, it has all the elements of a block-buster.

That's what the Bank of New Zealand has done to signal an increase in the term deposit and investment account rates.

It even used the words "special offer" and "once in a lifetime" opportunity (without specifying whose lifetime).

Triple pages were confined to metropolitan areas but a long string of provincials received full pages and we understand there is a strong follow-up for a campaign which is due to last only a little over three weeks.

This print-only exercise is further evidence, if such were needed, of the strong competition between financial institutions for the savings dollar.

Hours cut spending

NEW Zealand's inconvenient shopping hours come under fire in a recent O & M survey. New Zealand working women, who constitute about one-third of the labour force, earn more and have greater disposable income than their non-working counterparts and are prepared to spend it.

They are not only willing to pay more to save their own time but they buy more convenience foods, more household aids, more cars, clothes, jewellery and cosmetics.

But because of restricted shopping hours they have fewer opportunities to spend their money. By contrast, most shops in England, the United States and Canada are open six days a week.

New Zealand retailers and marketers, say O & M, are ignoring one of the biggest social revolutions since World War II.

NPA accredits agency

HAMILTON-based agency Group Graphics Ltd recently received accreditation by the NPA. Established in 1976, Group Graphics services national advertising accounts in New Plymouth, Rotorua, Hamilton and Auckland.

PRINZ elects fellows

SIX long-serving members of the Public Relations Institute of New Zealand have been elected to a fellowship of that body.

They are Lindsay Buick-Constable of Wellington; Jim Huse of Paekakariki; John Parsons of Taupo; Craig Saxton of Auckland; Alan Smith of Wellington; and Owen Steel of Wellington.

Faith in question

THE Farmers Trading Company has embarked on a campaign with the dual objective of attempting to bolster sagging national morale and of stimulating sales of New Zealand manufactured goods. "Farmers have faith in New Zealand" is the message currently featured in advertising.

Marketing manager Ted Blackwell says the idea sprang from a brain storming session. "Our hope is that it will encourage demand for New Zealand products with all the spin-off benefits such as enhanced job security," he told Admark.

He reports a great deal of support from manufacturers who are helping subsidise the special budget set up for the "have faith" campaign. Present plans are to programme for a full month when results will be evaluated.

The idea certainly has merit. Any measures designed to encourage a positive national attitude are commendable. But the form the message takes is far from inspiring. The kiwi cum flag background is a conventional visual stereotype and far from a mindstopper.

And in a society which is inclined to question rather than to accept does an exhortation such as "have faith in New Zealand" really impress?

Unwittingly Farmers has pre-empted a campaign proposed for the NZ Manufacturers Federation. This has been incubating for some months, has the support of the Federation but is yet to get off the ground.

It is tied to the theme "New Zealand first" and calls for support from all sections of the community.

Why are such campaigns felt necessary?

In uncertain times there is need for the Government to indicate a firm future direction for the country. In its absence, confidence ebbs and hopes dissipate while doubt and uncertainty rush in to fill the vacuum.

That two separate organisations should both independently recognise the problem and attempt a solution can only renew confidence in the initiative of private enterprise.

With the "Have a go, Australia" campaign, backed by Government, our trans-Tasman cobbers are already under way in a national morale boosting effort.

ADMARK

Butter ad spreads word

IN the United Kingdom, the Television Audience Bureau measures viewers' reactions to brand advertising on a scale of emotional commitment to the product ranging from "not for me" to "for me". A commercial for the market leader, Anchor brand butter, rated top twice in three months last summer and early this year another version headed the table in the spring campaign. Latest reports show it still doing well. So the New Zealand dairy industry scored first with both product and advertising rating. There must be a moral in there somewhere.

Ideas put on market

A CREATIVE shop — that's not new. A creative shop consisting of a husband and wife team — that's new, at least in Wellington.

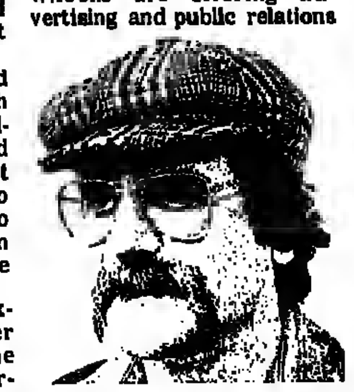
Douglas Wilson, 35, started off his creative career with Ilotts. Later he went Sydneyside with Pattersons and followed with the almost obligatory London stint for two years at Masius. Then back to Ilotts where he was both an associate and creative director.

His wife Cathy is an ex-teacher, civil servant, lecturer and community worker but she will be weighing in particularly with her experience on publications and in the editing field.

It was a desire for a greater degree of independence rather than dissatisfaction with agency life that led Wilson on to the consultancy path.

"We both wanted a little more control over our working lives," he told Admark. "We can spend more time doing what we're good at and less doing the sorts of things we don't enjoy. By keeping the operation small and human-sized, the money and organisational hassles are fewer."

Operating as "The Ideas Trading Company", the Wilsons are offering advertising and public relations services to non-commercial clients as well as to commercial companies.



DOUGLAS WILSON . . . leaves agency life for consultancy

CATHY WILSON . . . desire for greater degree of independence.

They say that this is a socially useful thing to do as non-commercial bodies are not normally able to engage professional help.

Already they are developing some major campaigns for organisations of this kind.

They are also working closely with a number of advertising agencies in all media. "We have no intention of becoming an advertising agency," said Wilson, "so our services can be tailored to meet practically any requirement.

Vendor union clarifies

WE read with interest your provocative articla of September 12. In reply we would note that UEB and AHI Industries' submissions in favour of cartons did not consider the question of ordering and payment, which will be the prime problems of selling carton milk, on milk rounds, in New Zealand. The main reason consumers in Scotland gave for cancelling home delivery was not being able to vary orders readily.

The connection between the introduction of cartons and tha collapse of home delivery is clear to the New Zealand Milk Board, and we would quote from Paga 28 of their submissione:

"The glass bottle represents the cornerstone of the home delivery system and overseas any mova to cartons has resulted in increased sales through shops, corresponding reductions in vendors' sales to householders and in addition to the increased price factor, an overall drop in consumption. A chain reaction results from reductions in vendors' front gate sales through increasing per unit distribution costs, which, in turn, further effect sales and so on. The end result is that vendors' rounds become uneconomic and the local milkman could become an historical fact in the New Zealand community, as in America and Europe."

Your articla of September 5 announced the introduction of AHI's Hygrade Packing Company to the debate on cartoning in opposition to AHI'a glass manufacturing company. A recent American packaging magazine in an article entitled "Milk Packaging still in Tranaition" points out that becausa supermarkets are now obliged to provide all a family's milk requirementa, cartons are losing market share to plastic contsiners, which are more convenient for bulk sales.

Perhaps AHI has another subsidiary which is already preparing to prove the desirability of replacing tha prospective cartoning plants with plastics here in New Zealand. All this when the OECD report "Beverage Containers: Rause on Recycling" recommends a return to recyclable glass containers.

We accept there may be grounds for criticising our questionnaire but the acid test for our opponents must surely be to do their own research.

We did cut and paste articles in our submissions, but indicated any delations from the originals, which are readily available from the Ministry of Agriculture and Fisheries Librsry. We went to these lengths because the librarians told us we were the only people who had made enquiries through them. The report of the Scottish Milk Marketing Board was reproduced in full simply because it is not readily available in New Zealand.

We believe that it would be an error to try and improve the New Zealand milk distribution system by making it more like those which have failed to maintain home delivary aervices in other parts of the world.

J G Duncan
Research Officer
National Union of Milk Vendors

Rival edits record

MIGHT I respectfully suggest that the John Kennedy comment about farm-worker unionism, referred to in a letter to the editor (NBR September 12, 1979), was from the Southland Farmer, not from the Southernar — our erstwhila rival.

Michael Lynch
Editor
Southland Farmer,
Otago Farmar.

Crime rate

Mr Levitt anys (NBR August 8) that the increasing number of laws is said (by who?) to have produced the greater volume of business before the courts?

In fact most court appearances would relate to the Crimes and Police Offence Acts or the acts covering drugs, driving or fishing. Recent changes in these acts (for example, the Transport Amendment Act) relate to the technicalities of prosecution only, and the Crimes and Police Offences Acts are updated rather infrequently!

New acts like the first new 1979 acts, the Imprest Supply Act and the International Departure Tax Act are unlikely to affect the crime rate significantly.

John Wilson
Wellington

Milkmen stand divided

OUCH! Your full page September 12 article gave readers a wrong impression that the nation's milkmen solidly oppose milk in cartons.

Not so. Eighty per cent of New Zealand vendors are members of the Dominion Federation of Milk Vendors. We firmly support cartoned flavoured milk.

We have told the Government Caucus Committee that we see cartoned flavoured milk as a good product, good for people and for business.

Our federation is actively seeking rights for vendors to distribute cartoned flavoured milk daily to homes and all other types of outlets.

Unfortunately this view, held by 1000 of the country's 1250 vendors, did not surface in the NBR article. So could we put your readers right?

Our representations to the caucus committee were contained in the 40 page joint submission to the Town Milk Industry.

For the record we mailed NBR its own copy of the full submission on August 31.

The whole of your article dealt with views of the National Union of Milk Vendors, which represents about 15 per cent of the total 1250.

You appear to have been under the impression that the National Union was the official body representing all vendors.

Yours is not the first organisation to make that mistake. Radio New Zealand along with many dailies hava made it recently.

The union is in fact a splintar group which thinks that milk vending businesses should run on union principles.

Dominion federation members, on the contrary, take pride in seeing themselves as small businessmen who prosper by serving tha public.

Union vendors are seeking six day home delivery. Our members are convinced that the public wants seven day service and know that's best for us too.

The union opposes any kind of milk in cartons. We want to distribute flavoured milk in cartons, and UHT milk as well, if people wish to buy it.

We do, however warn that you can't have cartoned fresh white milk in supermarkets, and hope to maintain seven day home delivery as well.

This isn't our view alone: the town milk producers, milk stations and our federation have all reached the same conclusion independently.

When some of the volume goes into the supermarket, the distribution cost per bottle to the gate increases. That [illegible] turns more people to [illegible] markets.

The volume decline, [illegible] usually around 40 per [illegible] overseas, makes [illegible] uneconomic for customers [illegible] vendors to maintain a [illegible] day home service.

Now we admit quite [illegible] that people who don't mind [illegible] extra cost of cartons and [illegible] their own transport [illegible] prefer the supermarket.

We'll even agree that [illegible] their free enterp[illegible] democratic right to buy [illegible] as a personal choice [illegible] suits their own circumst[illegible]

But real life isn't [illegible] And a large number of pe[illegible] are already hard pressed [illegible] cash, without facing [illegible] costs for both cartons [illegible] petrol.

Do those people have [illegible] democratic right too? Or [illegible] they simply submit to [illegible] costs, because it happen[illegible] suit people wealthier than [illegible] are?

We think there is [illegible] conflict here. It can be [illegible] only by political de[illegible] Fresh white milk in ca[illegible] a decision to make [illegible] dearer.

Nobody should dodge [illegible] point. It's not a decision [illegible] blindly.

The Dominion Federa[illegible] Milk Vendors says a maj[illegible] of its customers want mi[illegible] cheapest most conve[illegible] way. And that's how we [illegible] to provide it.

K J Hay[illegible]
National Secr[illegible]
Dominion Federation of [illegible]
Vendors

Foreign banks gain qualified entry support

Melbourne Correspondent


THE AUSTRALIANS

A MAJOR Australian statutory body, the Commonwealth Banking Corporation, has expressed qualified support for the issue of further banking licences to foreign banks seeking entry into Australia.

In its submission to the inquiry into the Australian financial system, it said it would support admittance if the direct controls over Australian banks were significantly relaxed, and competitive market forces were allowed to become the main determinant of bank deposit and lending policies.

But banking licences should be issued to foreign banks in Australia only if reciprocal rights were granted to the Australian banks by the country of domicile of each new entrant.

The Commonwealth Banking Corporation, which controls the Federal Government's Trading, Savings, and Development banks, argues that the entry of foreign banks should be linked with the development of the foreign exchange market.

The submission contends that the participation of foreign banks in an expanded foreign exchange market would give it added depth and breadth, which could benefit the Australian community.

It says the official foreign exchange market is no longer adequate to cope with increasingly complex requirements of organisations in more volatile market conditions.

The submission states: "In the event that foreign banks were permitted to operate in the foreign exchange market they would also represent a potential new group of holders of Government securities."

It concedes that Australian banks "could face a greater degree of competition, but there could also be some benefits to the banks and their customers by having wider covering opportunities in a larger market."

The corporation's qualified support for entry of foreign banks into Australia is in sharp contrast to the thinly veiled opposition of most of Australia's private banks.

In its submissions to the inquiry, the Bank of New South Wales says: "In logic, there is scarcely anything at all to be gained by opening the Australian financial market place more fully to foreign banks."

The source of its opposition to foreign banks gaining entry to Australia is the fear that they would be permitted to operate solely in the more profitable "wholesale" end of the market, without bearing some proportion of the cost of providing the Australian community at large with a nation-wide branch network and efficient money payment system.

It argues that to preserve the present strength of Australian banks, all foreign entrants must be required to compete on equal terms.

Coolness to foreign entry was not confined to the Bank of New South Wales.

The Australian Bankers' Association submissions included the following terse comment: "...the question of entry of foreign institutions into the Australian banking sector...involves nationalistic considerations that do not easily lend themselves to economic analysis (and accordingly have not been considered in this submission)."

No foreign bank licences have been granted in Australia since 1942, and successive Australian Governments since World War II have remained firmly opposed to the establishment of new foreign banks.

Control is exercised through the Australian Banking Act which provides that a Federal Government licence is a prerequisite for carrying on the business of banking.

Under the provisions of the Banks (Shareholdings) Act, foreign shareholdings in an Australian bank are restricted to a maximum of 10 per cent of the voting shares, unless otherwise approved by the Federal Treasurer.

Foreign banks in Australia are also controlled by the Foreign Takeovers Act and the Reserve Bank Exchange Control regulations, which preclude excessive holdings by such banks.

The Australia and New Zealand Banking Group told the inquiry that despite these controls, foreign banks had achieved an active and direct interest in Australia.

According to the ANZ Group, some 77 foreign banks have received approval to open representative offices in Australia.

The ANZ's submission claims that the permissible activities of such representative offices appear to be widely interpreted, and that these offices have featured in the increasing use by Australian companies of overseas financing, either by way of eurodollar syndications or direct offshore lending.

Some offices of foreign banks, the ANZ says, have also been active in arranging standby letters of credit from their head office to support inter-company Australian dollar financing.

Many foreign financial institutions have also acquired substantial equity interest in local finance companies and merchant banks, in which the representative office supervises the activities of local affiliates.

The ANZ told the inquiry that 44 of the 100 largest banks in the world already have an operational presence in Australia, with foreign sources accounting for a substantial proportion of total finance company ownership.

Finance companies are a major fundraiser in the Australian market, with borrowings around $A10,000 million at the end of 1978.

Foreign ownership of merchant bank interests and money market subsidiaries is even more significant.

With a population of only 14 million, Australia lacks the substantial domestic deposit base of British or European banks. The ANZ therefore believes that the licensing of foreign banks to enter the domestic trading scene market will only fragment the market without increasing its size.

But should the Australian Government decide to permit the development of a major international finance market within Australia, the ANZ recognises that foreign banks would have a function in such a market, on the basis of a limited or offshore licence as applies in Singapore.

The argument that foreign banks will be too competitive and acquire a destabilising share of Australia's domestic market was firmly rejected in a submission by Citibank of New York.

It points out that two foreign banks have been operating as licensed banks in Australia for years — the Banque Nationale de Paris and the Bank of New Zealand.

Citibank says that, given its large fundraising networks, and close traditional ties to Australian customers, it is "almost a foregone conclusion" that the major Australian trading banks will remain dominant despite the entry of further foreign competition.

Its submission concedes that most of the world's major banks have established representative offices in Australia, but says approval for their establishment typically precludes them from engaging in any form of banking business such as receiving deposits, granting loans, issuing bills, establishing letters of credit, or dealing in foreign exchange.

Its function is representative for the offshore parent.

Term policy combines with super as life cover

by Warren Berryman

WITH inflation headed toward the 18 per cent mark, the public might start questioning the value of life insurance as an investment.

The typical life policy carried to maturity yields only about 5 per cent, including bonuses.

Assuming our 18 per cent stagflation will continue, the typical life policy-holder will lose the battle against inflation with a negative interest rate of 13 per cent.

Better rates of return on investment abound. Even Government stock pays 13 per cent.

But none of these options provide cover for the investor's untimely demise — his death before he has had time to amass sufficient assets to protect his survivors.

The need for this death cover has been diminished by the last Budget's virtual abolition of death duties.

But death cover, despite the insurance salesman's come-ons regarding mortgage money and tax-free investment, remains the best reason for buying life insurance.

The trick is to discover a way to have one's cake and eat it too — to combine the benefits of life cover with an investment that earns a higher yield than life insurance while retaining the tax advantages of insurance.

One way is to buy cheap term insurance to provide death cover for those early years of one's working life when sufficient assets have yet to be amassed to provide for survivors.

Take, for example, the case of Joe Bloggs aged 35.

Bloggs feels he needs $50,000 worth of death-cover to look after his wife and family.

Whole of life insurance for a man of his age terminating at age 85 will cost him about $19 per thousand, or about $950 a year.

Term cover can be bought for as little as $100 a year to give him the same level of death cover.

Suppose Bloggs invests the difference between the price of whole of life and term insurance in a superannuation fund. This is an investment of $850 a year.

Both superannuation and life insurance investments are tax deductable. But the super fund will earn him at least 10 per cent a year while the life fund earns less than 5 per cent.

If Bloggs keeps investing in the super fund, this will be worth more than $55,000 by the time he has reached age 55.

Assuming Bloggs still feels $50,000 is all the cover he needs, he can stop paying for term insurance at age 55, as his super fund will then be worth more than that amount.

He can also stop paying into his super fund at that date. Compounding at 10 per cent a year it will yield him more than $374,500 by the time he is age 75 — a figure far higher than the value of whole of life insurance carried through to the same age.

Insurance companies have been entering the superannuation business.

South British, for example, has a scheme combining term

INSURANCE

insurance with Superannuation Investments Ltd's super scheme in a manner similar to the Bloggs case.

Term insurance, while cheaper, has no surrender or maturity value. One must die to collect.

Term insurance premiums escalate rapidly with the age of the person insured.

South British, for example, charges only $100 for $50,000 worth of term insurance for a person aged between 35 and 45 but $275 for a person aged 45 to 50. (These rates apply to SIL members only).

But provided Bloggs is young enough, he need buy term insurance only for the first 20 years until he has made his pile through the super fund and is ready to carry his own death cover.

Super funds, while not the highest earners available to the investor, offer a hassle-free 10 per cent.

And no other investment has the triple tax break granted to super funds.

The taxpayer can write off payments to super or insurance against his tax. On the way out super and insurance payouts are also tax free.

In the middle, super has an advantage over insurance as insurance companies pay tax while super funds do not.

The triple tax break turns into a triple tax hit should the investor wish to put his money into productive enterprise like shares in a manufacturing firm.

The investor pays tax on his money before he buys shares, the manufacturing firm pays tax, and the investor's dividends are taxed.

Back to Bloggs. He feels he needs $50,000 worth of cover. If he buys whole of life insurance he is committed to payments of $950 a year, until age 85 or until he dies.

So he buys term insurance for $100 and invests the $850 saving in super.

At age 55 he has $55,692 in his super fund so he stops buying term insurance and stops paying into the super fund.

Had he continued to buy whole-of-life insurance he would have paid out a total of $38,000 by the time he reached 75, when his life policy would have been worth about $121,759.

Had Bloggs combined term insurance with super in the above manner his super would be worth $374,500 at age 75 having paid only $17,000 into super and $4875 in term insurance.

Thus the super plus term scheme cost a total of $21,875 for a tax free return of $374,500 while whole of life cost $38,000 for a tax free return of only $121,759 — half the cost for more than three times the value.

The above model of super plus term can be refined down further to cost less.

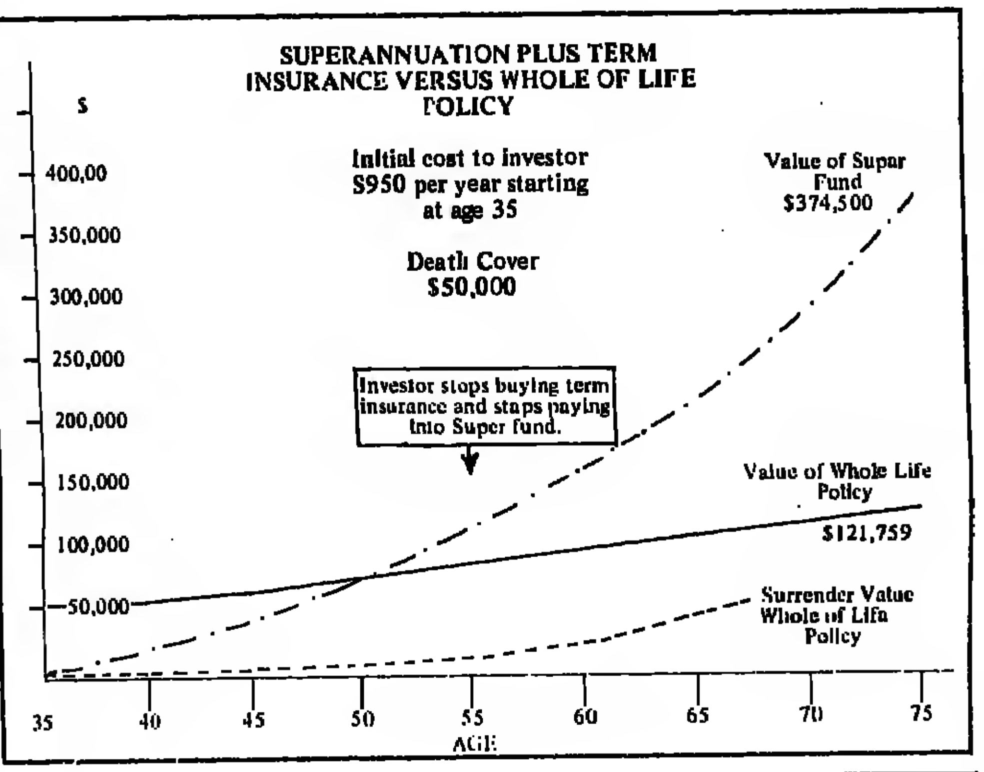
Presuming Bloggs feels he needs only $50,000 death cover he can reduce his term insurance as the value of his super fund increases.

For example at age 50 he passes through an age barrier and his term insurance payments jump from $275 a year to $500 a year for $50,000 cover. But at age 50 Bloggs has $30,825 in his super fund so he only needs $19,175 worth of term cover to bring his total estate up to $50,000.

The rapid escalation in the value of the super fund is due to the high level of payments into the fund in the early years and the following compounding of interest at 10 per cent.

The trick is to build up the fund as fast as possible during Bloggs early working life and then sit back and let interest earnings do the rest.

Some salesmen of super funds see this as a good reason for a client to cash in his life policy — sustain the surrender value loss on the money already invested in that policy — and reinvest in a term insurance plus super scheme.



"Noble" vegetable scrubs up

by Belinda Gillespie

POTATOES have never been an up-market vegetable. Somehow the slogan "buy a bigger bag of potatoes" seems unlikely to do for spuds what it did for cheese, with the exhortation to buy a bigger block.

Nevertheless, the Potato Board recently launched itself into a four-week marketing drive.

Like past promotions of potatoes, this was a low key affair.

Board liaison officer Jack Hume, says that in the past, brochures emphasising potatoes' nutritional value for low cost have been released from time to time.

A booklet on "Slimming with potatoes," Aileen Holst's "Twelve tempting recipes," and other educational publications have carried the potato message.

Staple foods generally are not highly promoted. And potatoes, relegated to obscure corners in the supermarket, sell at a steady rate in plain brown wrappers to consumers whose needs fluctuate little.

Potato men are apt to refer to their product as a "noble" vegetable, and eulogise its long history, nutritional worth and culinary virtues, in the conviction that the product's merits need no hard sell.

Paradoxically, processed potatoes are among the most marketed of all foods.

Crisps are a snack food par excellence, packaged, flavoured and promoted to the ultimate degree.

They go with the contemporary habit of eating for fun, not for hunger, and symbolise parties and good times.

About 20 per cent of the potato crop goes into processed form, according to potato board estimates.

The various sectors of the industry won't divulge the quantities they use. But the proportion of the crop going into frozen and other convenience foods, french fries for fast-food and takeaway bars, crisps and other potato-based snacks, will inevitably grow, as New Zealand continues to follow overseas trends towards eating out and convenience foods.

Most fish and chip shops and takeaway bars buy their chips pre-cut and pre-fried, needing only a quick pass through hot fat to bring them up to golden-brown customer requirements.

Similarly, there is an increasing trend among hospitals and other large institutions to buy pre-peeled potatoes, or at least to centralise preparation facilities for a number of institutions.

But even the naked potato itself is being called on to upgrade its market image. Ralph Parsons, marketing head for Woolworths, warned vegetable growers at their 1978 conference that supermarkets are "just as happy to sell rice as a substitute for potatoes, just as happy to sell dehydrated potatoes as against fresh, and just as happy to sell frozen french fries or frozen potato gems, or even heat and serve meals."

Parsons questioned whether growers of fresh produce were doing enough to market their product, and spoke of the rapid change in consumer purchasing, from "farm-fresh" into convenience foods.

New packaging regulations in 1975 required that growers' names be put on the packages. And the Potato Board suggested the time had come for growers to give their product a better quality image — starting with a readily identifiable package intended to inspire brand loyalty. But recent "Consumer" research found that many packs are not properly labelled, and "Carp" last year succeeded in prosecuting a firm for selling unlabelled sacks.

The advantages of washed potatoes have been pointed out to growers. Canterbury growers whose crops were affected by the nematode cyst, had to wash potatoes destined for sale outside their area, and found that customers preferred the clean potatoes, regardless of the extra cost.

A glut of potatoes since 1977 has kept the cost down, and they remain a cheap staple food in a world of rising prices.

Potato Board secretary, Ted McHugh said the recent four-week promotion of potatoes seem to have helped relieve the glut, though a survey in supermarkets has yet to be undertaken.

The "modest expenditure" (just over $4000) on radio advertising in a previous period of over-supply — "a period when the market really needed a lift" was well worth it in the 1977-78 season, according to the annual report.

The board finds that publicity projects always create a demand for recipe pamphlets — "further evidence that if potatoes are cheap and plentiful, this is a fact to be advertised and not a reason for advertising."

The Potato Board's function is simply to maintain supply, not to push the potato for all it's worth, thus any radical changes in consumer perception of the humble spud are unlikely.

But if some entrepreneur were to put muscle into marketing the potato, it could shed its earthy image and be transformed into a glamour vegetable almost overnight.

Like cheese, before the Dairy Board started promoting it a few years ago, potatoes now are an essential food only noticed when not there.

Scrubbed up, attractively packaged, and with their gourmet properties and healthy, slimming virtues drummed insistently into consumers not just in times of over-supply, but all year round, potatoes may yet make a come-back.

Expert defends crisp on its vitamin value

WHAT passes as an adult party snack is rated as junk food by children. Critics of the contemporary diet frown on the juvenile's love of crisps or french fries, yet rate potatoes highly when eaten as part of a meal.

The idea that frying a food in fat, flavouring it and dolling it up in an attractive pack takes away its nutritional value is not supported by fact.

Magnus Pyke, the British nutritionist who visited New Zealand earlier this year, in a "defence of popular taste" praised the crisp for its protein and vitamin content and claimed that "hungry children can easily choose a worse snack."

Weight-conscious and hypertension-prone adults have more cause to be wary of the salt-laden, fat-soaked chip than children with high energy needs.

Potatoes were once one of the most important foods in the New Zealand diet, eaten at the three meals of the day last century.

Tastes changed, and consumption dropped from around 450g a head each day in the 1880's, to about 140-150g daily in the 1050s, and have remained static for the last 20 years — unlike the other starchy staple, bread, which has continued to decline slightly.

Once rated mere starch, potatoes are now considered among the healthiest of foods, and nutritionists would like us to eat a lot more of them.

There seems to be an inevitable tendency for people to eat more fat and less carbohydrate as their incomes rise — and camembert and creme caramel have greater allure than porridge, steamed pudding and potatoes.

But potatoes are bulky, satisfying, low in fat, high in ... and vitamins and, gram for gram, contain fewer calories than steak, cottage cheese or bran flakes.

They also have impressive culinary properties, perhaps unknown to the average Kiwi palate, but highly rated by the French who have developed over a hundred classic recipes for them.

Potato Board fights for quality

THE Potato Board was set up under 1950 legislation. Its main function is to ensure an adequate supply of main crop potatoes.

It had the power to enter into contracts with growers for this purpose, and to collect a levy and compensate for unsold main crop potatoes — in effect, a minimum guaranteed price scheme which helped stabilise plantings.

With improved varieties, new methods of pest control and more mechanised production, as well as a shift in production to the populous North Island the levy and compensation scheme drew fire for several reasons.

It created surpluses to the detriment of growers, and encouraged them to market below-grade potatoes and hold good ones for compensation. A revised law — the Potato Industry Act 1977 — provided for a reconstituted board with greater producer representation, and one Government-appointed member to represent consumer interests.

Under the new Act, a scheme intended to keep below-grade potatoes off the market was brought in.

The old contract system covered only main crop potatoes — those coming on to the market between March and November each year.

Under the new law, which covers all potatoes, all crops of 0.5 ha or more have to be registered with the Potato Board, and growers no longer benefit from the levy and compensation system.

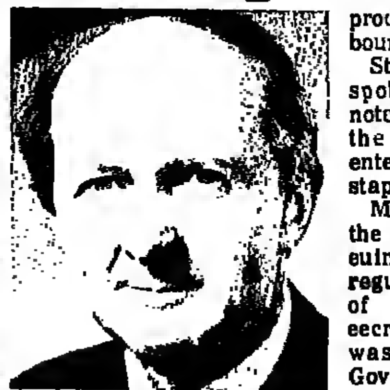
This is the first year in which the system has been fully implemented.

There may be some feeling that the baby went out with the bath water when the board ditched the old contract system "... the only weapon the board had to influence plantings, and with nothing to replace it some difficulty could be experienced in maintaining a stability of area ..." said the board's annual report.

To protect the consumer from practices such as the selling unidentified, low-grade potatoes off the backs of trucks, and growers from unfair competition, the Potato Board earlier this year tried to get the Government to pass regulations which proposed minimum levels of quality.

The regulations were supported by both growers and retailers, but the Government threw them out, claiming they were "an insult to consumers' intelligence."

Running to 17 pages, the regulations went into detail such as a minimum size of 25mm in diameter "measured at right angles to the horizontal axis."



ROB TALBOT...not happy

SIR BASIL ARTHUR...noted first victim.

But without controls to stop damaged or slug-eaten spuds being sold as first-grade produce, the consumer was bound to suffer.

Sir Basil Arthur, Opposition spokesman on agriculture noted that the first victim of the Government's private enterprise policy was a basic staple food — the potato.

Meanwhile, Jack Hume says the Potato Board is still pursuing the idea of regulations, with the ... of Agriculture ... secretary, Rob Talbot ... was not happy with the Government decision.

A voluntary system whereby growers who comply with minimum standards use a logo, or "potato mark" on their packages, is under consideration.

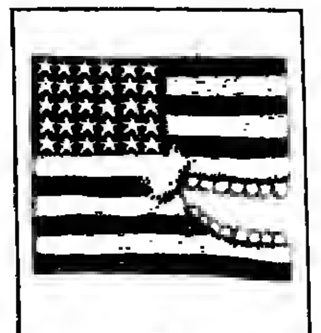
New Zealand is a modest exporter of potatoes, mainly to the Pacific basin. Small lots go occasionally to Malaysia and Indonesia.

A shortage in Europe in 1976 created a new export opportunity, and about 5000 tonnes went to England followed by 10,000 tonnes in 1977, mostly from the Rangitikei-Manawatu area.

The British demand hasn't continued, but exports to the Pacific area have been good this year — more than 7000 tonnes already from Rangitikei - Manawatu, compared with less than 4000 tonnes last year.

Inflation poses dilemma for US Reserve Bank

Economics Correspondent



THE AMERICAS

PAUL Volcker, newly named chairman of the United States Federal Reserve System, made his first Congressional testimony the other day to discuss the proper role of monetary and fiscal policy in dealing with the recession.

The Federal Reserve System (the FED, as it is affectionately called), has a primary responsibility to make monetary policy. It attempts to control the quantity of money and interest rates.

Yet Volcker was called on to testify on the subject of fiscal, rather than monetary, policy.

This incongruous situation occurred because of the seriousness of the dilemma now facing the US Government in getting the American economy back on its feet again.

The recession has been characterised by low growth, rising unemployment and unstable and rising inflation.

Should the Government adopt expansionary fiscal and monetary policies and risk further increases in prices — or should it adopt a more restrictive stance, keeping prices down but possibly worsening the employment situation?

A similar dilemma is facing New Zealand policymakers. But New Zealand also has an unstable balance of payments situation to contend with.

According to Volcker, "surveys and other evidence indicate that the most pressing economic concern of the American people is the persistent and rapid rise in prices."

Volcker goes on to describe the consequences of "virulent inflation" such as exists in the United States today.

"To be sure, the impact of inflation is uneven. Those on fixed incomes suffer, while some people who are well positioned, either by clever design or by good luck, do manage to increase their wealth. Even for the fortunate, however, such a result is at best precarious, frequently built on heavy indebtedness or highly speculative investments.

"But these capricious effects on individuals do not capture the insidious and debilitating effects of inflation and inflationary expectations on our economic performance and growth prospects. It is not entirely a coincidence that we can observe in these recent inflationary years a declining tendency in the profitability of investment."

One result of the American economy's poor price performance which is obvious to New Zealanders is the continuing weakness of the US dollar in foreign exchange markets.

The cumulating decline in the dollar has added an important element of uncertainty and instability to world economies.

And the fluctuations in the US dollar have fuelled recent moves by the oil producing countries to review their price increases. As oil contracts are priced in US dollar terms, declines in the dollar lead to lower returns to oil suppliers.

Because of the highly distressing effects of inflation, Volcker warned Congress against expansionary fiscal measures as a means of getting the United States economy out of its current recession.

While the traditional response throughout the postwar period to any prospect of declining production and rising unemployment has been to shift monetary and fiscal policies toward enhancement on aggregate demand, such moves would now only add to the already serious problems of inflation.

Policymakers are faced with a choice of sacrificing one set of economic goals for another. If they enhance aggregate demand as a way of stimulating employment and growth, they risk adding to inflation.

On the other hand, if restrictive policies are adopted, prices may stabilise but unemployment could grow.

But to Volcker, this "dilemma seems more apparent than real. Premature stimulative actions could well prove ineffective rather quickly and even counter-productive as their force is dissipated in higher prices rather than real growth, in more uncertainty rather than less".

"Ultimately the perceived 'trade-off' between unemployment and inflation would only be worsened."

Volcker commends moves in the direction of fiscal restraint by the United States Government.

EXCHANGE MARKET....US dollar weakens.

"These have been a key ingredient in setting the stage for a successful anti-inflationary effort. Substantially progress has been made in the past year toward reduction of the federal budget deficit. Potentially more significant, in terms of the longer range outlook, is the sense of greater control on spending that has been achieved by the efforts of Congress," he said.

Interestingly, Volcker may need to get his own house in order after advising the Government on fiscal policy.

Milton Friedman, the noted American economist, believes that Volcker (in his role as chairman of the Federal Reserve System) can use monetary policy tools more effectively to stem the growth in inflation.

In Friedman's view, unstable and rising monetary growth has been the major reason for the correspondingly unstable and rapidly rising inflation of the seventies. By following a goal of gradually reducing the growth rate of the money supply by controlling to monetary base, the FED could bring about more stable price changes.

With the right timing, fiscal measures could be used to expand output and employment while monetary policy is used to control inflation.

The effects of rapidly rising inflation are certainly undesirable. But before policymakers in the United States take measures that may add to the numbers unemployed, they should determine whether monetary policy has been too accommodating.

With private sector credit growing at nearly 30 per cent until recently, this has clearly been the case in New Zealand.

Local film makers abandon legal battle

by Helen Vause

A SMALL group of local film makers seeking an exhibitors' licence to show New Zealand made films, in the face of strong opposition from the theatre chains and others, has abandoned its legal battle.

The group, Concert Promotions and Associates, put its case to a Films Licensing Authority Hearing in August (see NBR, September 5). They wanted an exhibitors' licence for His Majesty's Theatre in Auckland and the Theatre Royal in Christchurch to show New Zealand or Australian made films only.

Objections to the application came from Kerridge Odeon, Amalgamated Theatres, Masters Independent Theatres and Jan Grafstad, Independent exhibitor of Auckland.

The hearing was adjourned after counsel for Concert Promotions, Paul Cavanagh, presented their submissions.

Concert Promotions subsequently withdrew the licence application after coming to an arrangement with Amalgamated Theatres over the screening of a local film now in production.

Although the matter had been settled privately, the Film Licensing Authority reconvened the hearing to give the objectors the chance to publicly counter allegations made earlier.

Amalgamated had asked for the hearing to be continued for this reason.

Films Licensing Authority secretary Genevieve Orr told NBR: "It was a joint ministerial and departmental decision to reopen the hearing because the licence application had far reaching implications. There is no provision in the act (New Zealand Film Commission Act 1978) for or against doing this. The objectors still wanted to put their case but the applicants also wanted a hearing to formally withdraw even though they didn't have to do that through a hearing."

In its initial submission, Concert Promotions Ltd and Associates had made some strong allegations over the treatment of New Zealand films by the theatre chains.

They claimed "The New Zealand Cinema Industry is dominated by the interests of foreign producers who exercise a monopoly control of first release houses in this country . . ." and ". . . all New Zealand films shown in this country since 1977 have had their runs curtailed at a time when they were still enjoying substantial business at the box office and only because the theatre chains had contractual commitments to show foreign films thus necessitating the replacement of the New Zealand film then on exhibition".

A case in point, they claimed, was the local film "Middle Age Spread".

The objectors wanted to challenge these claims.

At the reconvened hearing counsel for the objectors, David Williams said that because the applicants had accepted an offer there would not normally be need to say anything further. "However, counsel for the applicant launched a wide-ranging attack on Amalgamated Theatres and Kerridge Odeon, which contained numerous factual errors and inaccuracies and gave an entirely false impression of the attitudes of these two companies towards a production and promotion of New Zealand films", he told the hearing.

"The background to the film which was at the heart of the application should be mentioned. A few days before the previous hearing, Amalgamated was approached by John Barnett who is associated with the applicant and for the first time informed that the applicant wished to obtain a licence primarily to show a children's film called "Nut Case" to be produced in New Zealand.

"It was desired to show this film during the Christmas Holidays 1979-80. Amalgamated was informed that the film had not been made and indeed its production had not commenced although this was to take place shortly.

"What was sought from Amalgamated was a guaranteed reserved space for the showing of the picture in December . . . Amalgamated has always taken the same approach it takes with overseas films, namely that it must see them and evaluate them before making any commitments."

The arrangement made between the parties before the reconvened hearing was that Amalgamated would consider "Nut Case", once viewed, for screening during the May School holidays.


THE MEDIA

It should be noted, however, that at no stage during the first public hearing was the screening fate of "Nut Case" argued by the applicants. Rather they were arguing over the screening treatment and runs of local films overall.

Williams said: "It appeared to Amalgamated that Barnett was seeking preferential treatment for New Zealand films. While Amalgamated have given their solid support in a variety of ways to the promotion of the New Zealand film industry there are some limits beyond which it cannot reasonably be asked to go.

"The various allegations made may be summarised by saying it was suggested that the major exhibiting companies, Amalgamated Theatres and Kerridge Odeon, were dominated by their foreign associate companies, had no contractual freedom to distribute New Zealand films, and had in the past wrongfully curtailed showing of New Zealand films. All these allegations are quite untenable."

He said local films shown in Amalgamated Theatres included "Off the Edge," "Wildman," "Dagg Day Afternoon," "Sleeping Dogs," "Solo," "Angel Mine," "Skin Deep" and "Middle Age Spread."

"In each case film hire terms and release dates were negotiated in exactly the same manner as contracts made with major overseas producers. In fact, more time has been spent in discussions with various local producers regarding the release of their product than is normally spent on releases from overseas suppliers.

"The film hire contracts for the various productions provided for different methods of determining a terminating season and in each case these were adhered to."

He said the only exceptions were with "Wildman," "Dagg Day Afternoon" and "Middle Age Spread."

"In the first case after the first few days of release it had to be accepted that public reaction was not good. A mutually acceptable decision to terminate was arranged.

"In the case of "Middle Age Spread" when the bookings were made for Auckland and Wellington releases, it was explained and accepted that these bookings were subject to a firm termination date because of previously arranged school holiday bookings.".

To allegations that contractual commitments prevented the local distributors from choosing which films they showed, Williams said releases were judged on merit.

Counsel for Concert Promotions, Paul Cavanagh, did not respond to the counter claims brought by Williams.

He told NBR he did not want to prejudice the arrangements already made.

John Barnett said the group's silence at the hearing did not mean that they necessarily accepted the counter claims.

He said he was happy with the deal reached, but said another application might be made for an exhibitors licence in the future.

Tycoon part teaches actress little

Christchurch Correspondent

LYNETTE Davies looks like a million dollars but unlike her stage Davinia Prince, the business tycoon of "The Foundation" an ATV series running on TV1, she hasn't got that sort of money.

"I don't have any investments apart from a small insurance policy," she says apologetically, without the scathing tone Davinia would have used.

Neither rich nor a bitch, the Welsh actress fears however, that women business executives could make the mistake of modelling their attitudes on Mrs Prince rather than Miss Davies.

"Mrs Prince can be a strong person. I didn't like her values, the way she used people. She was ruthless and a pain. A lot of women in business may think they have to be as strong."

But the blonde under the red beret agrees with the old business adage about women: "To be a women in business, you have to work like a dog, look like a girl, act like a lady and think like a man."

"That's how men see you in business. It's hard road to the top for women. But it's changing."

Women's lib isn't big with Davies. "If women are doing the same job as men they should earn the same kind of money."

In the theatre she's never faced a chauvinist attitude. Born in a small Welsh village, the daughter of a customs excise officer, she was four years with the Royal Shakespeare Company before television.

"The Foundation was very escapist. Davinia couldn't have got away with as much in real life. I didn't visit the City of London myself to prepare for the role but Richard Gregson, who wrote and created the series did his homework.

"We had a very short time to memorise each of the 13 episodes in the two series, recording each one in about eight or nine days so there was a certain amount of ad-libbing. But the business scenes had to be accurate or someone from the City would ring up ATV.

"Once we had to re-shoot an episode when we realised we had used the name of a real company for one we had going bankrupt."

Lynette concedes that she


LYNETTE DAVIES . . . financial realities.

isn't interested in big business and insists "Mrs Prince" didn't toughen her. "But I was getting $1000 an episode at the start and that went up to $2000 so I must have picked up some of the clues," she laughs.

"People have this view actresses are well off. It's a myth. Taxes take 60 per cent and the agent 15 per cent. I was better off after "The Foundation" but not much."

"I've been able to afford central heating in my home.

The Rolls Royce in the series cost $200 a time to hire. The first two episodes cost $75,000 to make. They got cheaper once the set was established. Then there was the cost of the clothes . . . evening dresses $800, day wear $200 to $500 and pure silk shirts $200 each.

"The men wore the same suits from beginning to the end of 26 episodes so when I walked on they'd say: "There it is the walking budget"."

Lynette bought the costumes from ATV at half-price. So there in a "Davinia" outfit . . . character and the actress . . . again. Not everyone has survived the vagaries of acting as well. Yet when Davies . . . the love of it" acts for Bristol Old Vic even she can be short of money.

"The highest wage in repertory is $160 a week and my flat in Bristol costs $40 a week while I've also a house and mortgage in London."

Financial realities for businessmen launching new stage shows in London now include the "terrific" impact of VAT. "A 15 per cent increase in the prices of theatre seats has affected ticket sales and coupled with rising overheads, good theatre seats in London are now costing $10 to $16."

Some theatres still play to packed houses booked far in advance, amongst them Tom Stoppard's latest play "Night and Day" with which Lynette Davies will begin a New Zealand and Australian tour next month.

Stoppard is Britain's most famous contemporary playwright but his success is also tempered by costs.

Davies rates the top seat price for the New Zealand tour of $9.90 as very attractive. "I paid $14 to see the play in London and that wasn't the best seat in the house."

The New Zealand premiere of "Night and Day", with British co-star Donald Burton, is in Christchurch's town hall complex October 15. The play will run for two weeks there and in Wellington and Auckland.

The major expense of the production, which is being managed by New Zealand promoter Stewart Macpherson (Stetson Productions), is the set which was designed by Carl Toms in London and built in Wellington by Doug Hoy of the New Zealand Ballet and Opera company.

In-house processor links with bureau equipment

by Stephen Bell

LINKING of word and data processing is an important step towards full automation of office systems. At present, though, it remains largely a much talked about theoretical concept in New Zealand.

One of the first organisations to have taken the plunge is the Southern Cross Medical Care Society, which claims to be one of Auckland's word processing pioneers.

Its link is in line with another well-known and further advanced DP trend; the linked use of an in-house processor and a computer bureau.

One of Southern Cross's two IBM 6/440 word processors is linked to the Ideps IBM 370 bureau equipment, which the society has been using for over five years.

Biggest use of the link is to send out "personal" communications to the society's members. Mailing of letters of various types, as well as cheques are a big part of its workload. The 6/440 can produce these at up to 92 characters per second, but it needs a list of names, addresses and other variable information to insert in the documents.

It clearly makes sense to use information already on the Ideps files, rather than laboriously building up another file. Hence the link.

The Ideps processor "sees" the System/6 as equivalent to a card punch, and its programs output the information to it in the normal way such a punch is handled on a large system; the required information is put on a "spool file" on disc. On request from the System/6 end of the link, the spool file is output over the communications line onto one of the System/6's diskettes. Communication can then be broken and the information is there ready for a word processing run either on the on-line machine or the off-line one.

The procedure seems rather indirect, but has the advantage that the information does not have to be processed in real time; it can be retained, either in a "queue" of spool files in the main processor, or on the System/6 diskettes, until a suitable time.

According to Peter Smith, the society's chief executive, Southern Cross has long felt that DP services should be exploited as fully as possible, so as to gain maximum administrative value from the computer system. This is particularly true of the paperwork.

"Ours is essentially a paper-moving business", says Smith. "anything we can do to reduce the throughput or increase productivity must produce benefits".

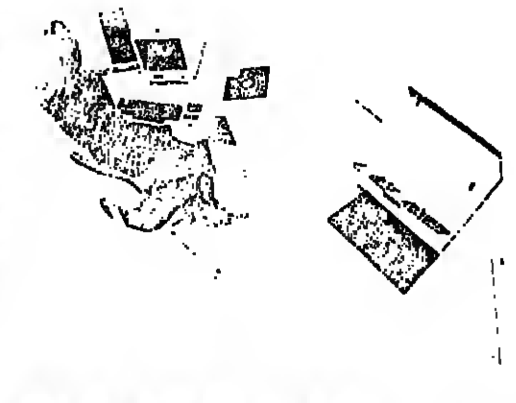
The society certainly has a large workload. The number of claims paid by Southern Cross exceeds those made upon the Accident Compensation Commission and the Society continually works to extend its range of health benefit schemes, for both company and individual participation.

As well as communicating with its members, Southern Cross must deal with doctors, sending out regularly updated lists of the sum granted to cover specific operations, as well as details of claims made.

Even with this heavy workload, there is still spare printing capacity on the two ink-jet printers, says assistant general manager Kevin King. The screen workstations, though, are loaded to full capacity.

Word processors have come under heavy fire recently from trade unions for contributing to the unemployment problem (NBR, September 26). King admits that take-on of the machines has "substantially" reduced his typing staff, but stresses that it was a matter of not replacing the staff who left, rather than actually dismissing anyone.

As well as increasing efficiency, King maintains, the word processor has made communication with members more "personal". "By its nature, a standard letter is generally very impersonal, sometimes despite the insertion of an individual's name


IBM 6-440 . . . 92 characters per second.

and address", he says.

He agrees that the day will doubtless come when the recipient looking at a smart "top-copy" letter will think "just another word processor". Even then, though, the letter will have the advantage of being individually signed, he says; cyclostyled letters have cyclostyled signatures.

With a higher rate of production of letters, "we are now able to use standard letters for members in situations you might expect would require a telephone call or a series of investigative and explanatory letters", says King.

A typical example is the standard letter to some members claiming benefits for surgery. Recovery of the anaesthetist's fee is allowable, but members frequently forget to claim it.

In this case, when the cheque and addressed envelope are produced, a standard letter is generated, which essentially says; "Dear Mr Jones, Here is your cheque. You appear to have forgotten the anaesthetist's fee, but we have calculated the correct amount payable, and have added this sum to the cheque covering your other benefits".

Feedback from members indicates that they appreciate the individually "tailored" letters. King even claims that word processor generated debt reminder letters have produced a material improvement in the society's credit control.

Southern Cross intends to expand the use of the WP system into more of a "processing" role, accumulating appropriate statistics on site. Already, the System/6s are effectively doing a billing application for the Norfolk Islands. Charges in these cases are flat rate and no calculation capability is required, says King.

Enhancements are in hand to the software. The routine Ideps uses to insert WP control characters into the data is to be re-written as a standard utility, making it usable in future systems of a similar type.

Ideps has received no further firm approaches about on-line word processing, but several firms have been to look with interest at the Southern Cross configuration.

Final note for people who know Auckland; yes, Ideps and Southern Cross are next door to one another in Grafton Road, but this is of little consequence for communications. The system would be equally feasible with a more remote user, said Ideps spokesman Don Jeffries.

Boat makers unite for promotion launch

by Warren Berryman

FRAGMENTED members of the pleasure-boating industry are coming together for the first time in the history of the industry to launch an industry-wide advertising and public relations campaign.

The initial rallying point was Government's 20 per cent sales tax that sent sales of small power boats plummeting.

A two-tiered advertising and promotional structure is now being shaped.

Starting next month, a television ad campaign will sell boating for the industry as a whole. Below this level individual dealers, manufacturers, and accessory suppliers will advertise in their own right.

The Boating and Marine Industry Association have taken on an ad agency; Dormer Beck Campaign, and PR Consultants, Network Communications.

The initial proposed budget is $100,000.

So far some $70,000 has been raised by passing the hat among members — most of this at a recent meeting at Trillos in Auckland after Trade and Industry Minister Lance Adams-Schneider told about 400 boating industry delegates the sales tax was in to stay.

Financing by donation will be replaced by a levy system for members in future according to the association's promotional committee chairman, Martin Jones.

Jones said: "the Government handed us a lemon with the sales tax and we're turning it into lemonade."

Jones said the industry had been going through a bad patch and the tax was the straw that broke the camel's back. Hardest hit were sales of small power boats to middle income people, Jones said.

The big luxury yachts were not as badly affected.

The ad campaign will be run on television featuring Peter Montgomery as presenter.

The theme; "I can just see you in a boat" will sell boating as relaxation for the hassled businessman, entertainment for bored kids, and a cheaper alternative to international travel.

In conjunction, press kits will be issued to dealers and manufacturers to sell their own competing products.

Two-tiered advertising of this nature is relatively new for private industry here.

There are already rumours that the motor vehicle industry might follow the boating industry with a similar marketing scheme.